

NATIONAL RESERVES FOR
SAFETY AND STABILIZATION

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NATIONAL RESERVES FOR SAFETY AND STABILIZATION

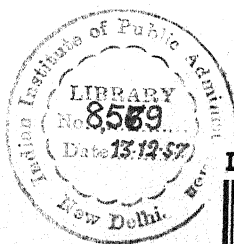
by

L. ST. CLARE GRONDONA

With a Preface by

R. F. HARROD, M.A.(OXON)

Student of Christ Church, Oxford



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To my sons
JOHN and PETER

PREFACE

By R. F. HARROD, M.A.(Oxon)

MR. GRONDONA appears to me to have linked together three important ideas which ought to be linked together. On the basis so provided he has made practical proposals which have the double merit of being clear-cut and of springing logically from an analysis of our existing system.

In the first place it is now generally agreed that the acquisition of really adequate stocks of certain products is an urgent necessity from the point of view of national defence.

Secondly, the organized marketing of certain fundamental staple products has for a number of years led to violent fluctuations in their prices, which cannot be deemed to serve any useful economic purpose. Some additional machinery is needed which, while allowing play to the forces of supply and demand in regulating prices, would obviate the extreme oscillations.

Thirdly, the potency of any money that is spent on schemes for the purchase of surpluses is immensely reinforced if buying and selling prices are fixed and published.

The linking of the first and second of these points makes an eminent appeal to common sense. If the large-scale purchase of stocks is an urgent national need,

National Reserves for Safety and Stabilization

should not this be connected up with the urgent world need for greater stability of markets? If money is to be spent on storage in any case, should not advantage be taken of the opportunity to kill two birds with one stone?

In thus bringing relief to the primary producers of the world our motive would not be mainly altruistic! Greater stability in the world economy is a paramount national interest. World recessions hit this country by curtailing the volume and value of her exports, and the loss of income in the exporting trades quickly transmits a depressing effect to the whole British economy.

I am aware that those who argue that the recession of primary producers' purchasing power is responsible for the general trade recession tend to neglect an important offsetting factor, namely that the purchasing power of consumers, released by the reduction in the prices of foodstuffs, etc., may stimulate employment in other directions. What one party loses, it is suggested, the other may gain. But there is one gain which would accrue from a price stabilization scheme not offset by any loss. In respect of the produce going into stock, the producers would be credited with a more remunerative price, and their gain of purchasing power under this head would not be offset by consumers' loss, since the purchase of these stocks does not come out of consumers' income. There would be a net increase of purchasing power which would tend to reduce the recession. The same point may be looked at from the other end. In the recession there is a lack of vent for savings which causes the

Preface

economy to move into a vicious spiral of declining purchasing power. The finance required for the stabilization scheme would give an additional vent for saving in the depression; the money would flow into the hands of the primary producers and move onwards from them in active circulation.

The superior efficacy of a stabilization scheme which publishes its buying and selling prices is well known. The gold standard is the classic instance of this. With gold points clearly defined, the major part of the day-to-day discrepancies in the balance of payments is carried by speculators. If the central bank merely bought and sold as much gold as it would have to on the gold standard but without defining its buying and selling prices, no such stability in the foreign exchanges as that obtained under the gold standard would result. Indeed, the amount of produce which the national corporation was required to buy under Mr. Grondona's scheme might be disappointingly small from the defence point of view. And he has done well to supplement it by the provision of additional storage accommodation within the country for private holders.

Of course there must be complete confidence in the power of the authority to give effect to its own scheme. A preliminary enquiry would have to be made into the maximum strain which might be imposed. If it were found that Mr. Grondona has been too ambitious, the number of commodities could be reduced or the co-operation of other countries sought.

National Reserves for Safety and Stabilization

Meanwhile we have our large gold stock. I suggest that this should be made available for a scheme on Mr. Grondona's lines before it is frittered away in covering the transference of funds from British to foreign securities, an operation serving no national interest. Prompt action is required. If we are to hold a central store of assets not yielding interest, how much better to have vitally needed commodities rather than gold!

Some apprehension may be aroused by the fact that a stabilization scheme seems to aim at the impossible, namely a protection of primary producers against their unhappy fate of being ground down by two ineluctable facts, the limited capacity of the human stomach (including the limited demand for ultimate raw products) and the expanding power to produce them. In the long run supply must be adjusted to demand, else the stocks would continue to grow without limit. Mr. Grondona has met this criticism by allowing for prices to be marked down from time to time. His scheme is consistent with permitting a secular downward trend in these prices to take effect; it is only concerned with reducing the violent, functionless, and disturbing short-period fluctuations. Primary producers must know that they have to adapt themselves to long-run trends. Security against excessive short-run fluctuations would be a great boon and give them a breathing-space in which to plan ahead.

Some economists may feel that a scheme for stabilizing the general price level would be sounder than Mr. Grondona's scheme for stabilizing each of a number of

Preface

particular prices. But how is this to be done? Few still believe that it could be achieved by manipulations of the bank rate and open market banking operations only. It would probably be necessary, if the objective were really taken seriously, for the central authority to be willing to buy sample assortments of commodities at stated prices for the sample, just as when a fixed price of gold was the objective, the authority had to be prepared to buy gold at a stated price. If we have to temper our schemes to public opinion, such a scheme must be regarded as less immediately practical than Mr. Grondona's. And, although perhaps more theoretically respectable, it does not kill so many birds! For it is now coming to be agreed that organized markets have defects of their own requiring correction. The excessive concentration by speculators on short-run profit to the neglect of long-run considerations makes prices undesirably volatile. The academic scheme for a stable general price level would not apply the necessary corrective to these speculative tendencies.

It is much to be hoped that Mr. Grondona's Plan will receive widespread and immediate attention. It has a commendable breadth of scope and simplicity of outline. It deals with matters that are of urgent importance and proposes treatment on a scale worthy of the problems.

But our leaders have of late shown a special aversion to such plans: they prefer niggling patchwork. It is a curious thing. They know that we stand in great perils; they desire to defend us from cataclysm and revolution;

National Reserves for Safety and Stabilization

they profess an earnest wish to make our system work, preserving sufficient of what is tried and established for further developments to be orderly and controlled. Yet when a scheme is propounded for an orderly advance, they not unusually become quite shy and frightened and too often appear to be inhibited from giving it their consideration. May Mr. Grondona's lucid advocacy of what is indeed an orderly advance, serve to galvanize them into action!

CONTENTS

	PAGE
PREFACE	9
INTRODUCTORY	
POLICY ADVOCATED IN 1924	19
ESSENTIAL COMMODITIES RESERVES ACT, 1938	20
PROFESSOR J. M. KEYNES' PROPOSALS	21
THE PLAN AT A GLANCE	22
ILLUSTRATIVE ANALOGIES—(a) The Exchange Equaliza- tion Fund, (b) The Bank of England.	29
TIN AND PRICE STABILIZATION	33
CHAPTER	
I. BASIC FACTS	35
Primary Production the Fount of all Wealth; Primary Producers the Cinderellas of the Economic System; Position of ultimate Consumer; Bewildering Fluctua- tions and their Far-reaching Influence; Trade Depres- sions; Economists' Palliatives and their Fallacy; Price Stabilization for Primary Products, the Remedy; Causes of Price Fluctuations; International Anxieties; Success of Price Fixation for Branded Products; Price <i>Fixation</i> not advocated for Primary Products; The Merits of the Water Reservoir.	
II. ESSENTIAL COMMODITIES RESERVES ACT, 1938	46
Wartime memories; Establishment of National Reserves long advocated; Neglected opportunities; "What might have been"; A Start is Made; the Essential Commodities Reserves Act Summarized; Extensive Powers, limited application; Competitive buying by the Government and its probable effects; the Alternative—a dual purpose Plan with a long- range policy.	
III. PRICE STABILIZATION AND NATIONAL RE- SERVES	52
A special Corporation; Requisite Legislation; Financial Provisions; an analogy in Finance—the Special Areas	

National Reserves for Safety and Stabilization

CHAPTER

PAGE

Fund; Recoverable and Irrecoverable Expenditure; the Corporation's Expenditure (tangible investment) and Income; Principle already Established; the United Kingdom's Imports of Primary Products; A year's Reserves? Reserves in Commercial ownership; Letting of Space in Corporation's stores; Maximum Remote Outlay; Negligible per capita cost; Professor Keynes' Proposals.

IV. ESTABLISHING RANGE OF PRICES

64

Advisory Committees; Representatives of Producers and Buying Interests; Reviewing Past Prices—some examples; THE DATUM LINE; Guaranteed Buying Prices below *Datum* Line and Guaranteed Selling Prices above *Datum* Line; Resultant ultimate Margin of Possible Fluctuations; Effect on Consumer Prices; Price Variations for Grades; the Quality factor—Corporation's Attitude; Cause and/or Effect—High Prices mean Prosperity or Prosperity means High Prices? A Prevailing Fallacy; Influencing World Prices; Proportional World Distribution of Products; Geographical Advantages; Why Great Britain should take the lead.

V. RANGE OF STORABLE PRODUCTS

76

What Science can achieve; Commodities apparently storable; Perishable Commodities that might be stored; Report of the Food Investigation Board; Requirements of Strategy and of National Economy; Commercially held Stocks; Types and Distributions of stores; "Turning over" Stocks—suggested procedure.

VI. POSSIBLE ABNORMAL SUPPLIES

83

The Wheat Surplus 1938-39; If the Corporation functioned; What of the future? Benefits from Buying up surplus wheat; What is the Food Defence Department doing? Cost of three years' Reserves of certain products; Comparison with cost of rise in Bread Prices; Unlimited Gold buying; Fictitious Wealth;

Contents

CHAPTER	PAGE
	The Finances; Bank of England's Part; Using up real surpluses of grain; Relief of Distress in other Countries; Stocks of Durable products; Limiting output; Perennial Increments—and Wasting Assets.
VII. THE HOME PRODUCER—TARIFFS AND PREFERENCES	98
	British Farming and the Plan; Stabilized costs of feeding-stuffs; Agricultural Reconstruction; Range of application of the Scheme; Tariffs and Preferences.
VIII. THE PLAN IN OPERATION	104
	The Oldest Industry; The Farmers' own Internal Economy; Wheat yields and prices; "Dollar Wheat"; Stimulating Production or Retarding Production; Alteration of <i>Datum</i> Line; Necessity for Caution; Continental Bread Shortages; Balanced General Production a Distant Goal; Standards of Living on Incomes—and on Wages; A Beneficent Trend; Adjusting Production to altered Consumption; Malnutrition; Farmers' increased Turnover; Possible Results from Reduced Prices; Prices in bad seasons; Special proviso—Insurance; Safeguarding of Wholesale buyers' interests deferred; Primary Producers spending power; Manufacturers' prime costs.
IX. SPECULATION LIMITED—EXCHANGE EQUALIZATION FUND	122
	The Legitimate and the harmful Speculator in Commodities; The Speculator as a financier; Producers as their own financiers; Gambling in the Business World; The Exchange Equalization Fund functions compared with the Corporation's functions; Money as a Commodity; External causes of Currency Movements; Money's proper functions distorted; Control of Money prices; Corporation's Investment Expenditure and effect on Exchange Rate of £; Balance of Trade; A Generalized Forecast; Balancing Factors; A <i>New</i> Stabilizing Influence; Debtor countries' opportunity; Bankers' views on Defence Expenditure.

National Reserves for Safety and Stabilization

CHAPTER

PAGE

X. EFFECTS ON WORLD ECONOMY

140

Widespread Stability; Other National Corporations an unlikely contingency; International Interdependence for Raw Products; Great Britain's Entrepôt Trade; International Relations; The Moral aspect; Effects on World Economy; The Cartel System; In conclusion.

APPENDICES

149

Average imports and sources of supply, annual average price fluctuations 1922-37; Monthly prices during 1937 and 1938.

- i. (a) WHEAT
 - (b) MAIZE
 - (c) SUGAR
 - (d) RAW WOOL
 - (e) RAW COTTON
 - (f) CRUDE RUBBER
 - (g) TIN
 - (h) COPPER
 - (i) BUTTER
 - (j) BEEF
 - (k) MUTTON AND LAMB
 - (l) BACON AND HAMS
- ii. PROFESSOR J. M. KEYNES' PROPOSAL

INTRODUCTORY

POLICY ADVOCATED IN 1924

IN a book published in 1924 to which Lord Baldwin, who was Prime Minister at the time, paid the author the signal compliment of contributing a commendatory introduction, Mr. L. St. Clare Grondona pointed out that wheat supplies from the Dominions over the preceding four years (during which these averaged 39 per cent of the United Kingdom's total wheat imports) had cost 3s. less per cwt. than supplies from foreign sources, and he went on to write:

'One way in which to take more advantage of the Empire's wheat-growing capacity would be by agreement between the British and Dominion Governments whereby a minimum price would be fixed over a period of, say, five years. Any surplus would go into national granaries in bulk stores throughout Great Britain. *Such reserves would be as valuable as warships* one of whose primary functions is to protect transport of food in time of war. I do not pretend to be able to say what the fixed minimum price should be (for growers in Great Britain and in the Dominions); that would depend upon the result of a conference between the interests concerned. What would be aimed at would not be nationalization of wheat production but merely stabilization of the market.'

National Reserves for Safety and Stabilization

THE ESSENTIAL COMMODITIES RESERVES ACT, 1938

The Essential Commodities Reserves Act was passed on July 29, 1938, following announcements that the Government had already made certain purchases for reserves of wheat and whale oil. Under this Act the Board of Trade is empowered to secure full information from traders as to commodities held by them which in the opinion of the Board of Trade would be essential for the vital needs of the community in the event of war. Traders may be required to furnish regular (or special) returns in this connection and also to give full particulars of storage facilities at their disposal, and other relevant information.

The Board of Trade may encourage the establishment of reserves in the hands of traders by making payments, by way of loan or grant, either in respect of the building up of reserves or in connection with the provision of storage facilities. *Furthermore the Board of Trade may itself establish reserves.* In the schedule to this Act "essential commodities" are defined as "any commodity which in the opinion of the Board of Trade may be required as food for man, forage for animals or fertilizer for land, and any raw material from which such commodity can be produced. Petroleum, and any product of petroleum." See Chapter II and compare this schedule of Essential Commodities with the more extensive list which appears in Chapter V.

PROFESSOR J. M. KEYNES' PROPOSALS

In August 1938, in a paper read to the Economics Section of the British Association for the Advancement of Science, Professor J. M. Keynes urged that free storage facilities should be offered by the Government to any trader desirous of conserving stocks of storable products and that advances of up to 90 per cent of the then current market price (of any such commodity) should be made available to traders.

However, the list of "essential commodities" within the meaning of the Essential Commodities Reserves Act is not so comprehensive as Professor Keynes would have it.

The difficulties which would confront the Board of Trade in carrying out such suggestions are dealt with in the text.

But the mere exercise, in full, of the Board of Trade's powers under the Act—even if the Keynes proposals were put into effect—would not achieve the permanent boon to producers, wholesale buyers, and the consumers which could result from an application of the plan outlined in what follows. Further comment on Professor Keynes' proposals is contained in Chapter III and his paper is summarized in Appendix II.

THE PLAN AT A GLANCE

The plan outlined briefly in these pages visualizes the establishment and functioning of a Price Stabilization and National Reserves Corporation whose proposed constitution and system of finance are dealt with in what follows (Chapter III) but whose functions are here summarized.

(a) A GUARANTEED PURCHASE PRICE

The Corporation would undertake to purchase a specified range of primary products delivered to its depots in the United Kingdom at prices guaranteed in respect of each product for a stated period (at least a year) such prices to be substantially (say, somewhere between 5 and 10 per cent) below a datum line representing average normal prices (the definition of which follows) receivable by sellers in the open market.

(b) ESTABLISHMENT OF RESERVE STOCKS

The Corporation would provide proper storage for all commodities so purchased, such produce to be the Corporation's property so long as it was held in store but which, in the event of war, would automatically pass into the control of the Minister for Defence.

(c) GUARANTEED SELLING PRICE

The Corporation would undertake, at any other than war time, to sell to wholesale buyers at fixed

Introductory

prices guaranteed in respect of each product for a stated period, such prices to be substantially (say, somewhere between 5 and 10 per cent) higher than average normal prices payable in the open market.

CORPORATION'S ADVISORY COMMITTEES

An advisory committee would be set up for each primary product—or for any group of kindred primary products. The committee would embrace representatives of (a) primary producers and/or their nominated selling agents and of (b) wholesale buyers and/or their nominated buying agents. The Corporation would take counsel by such committees before fixing its buying and selling prices, and on other matters in respect of which the committee could give expert or experienced advice.

CORPORATION'S BUYING PRICES—THE DATUM LINE

The Corporation, in consultation with the appropriate advisory committee, would ascertain and establish the average price per unit of measure, paid in the open market for each product over a mutually agreed selection of years. Such ascertained average would become the basis for the establishment of the *datum line* from which the Corporation would work in determining its buying and selling prices. Such prices might be any agreed percentage *below datum line* for buying, and *above datum line* for selling.

National Reserves for Safety and Stabilization

NO OPEN MARKET DEALINGS BY THE CORPORATION

N.B.—The Corporation would not enter the open market either as a buyer or as a seller. It would be aloof from all bargaining.* It would merely buy products at its known price delivered at its depots and (excepting in war time) would sell products on demand at its known selling price.

EXISTING INSTABILITY OF OPEN MARKET PRICES

Supply and demand are so erratic that in almost any year prices of many important primary products fluctuate in such a manner as to cause acute embarrassment alike to primary producers and manufacturers—with a resultant disturbance of the whole economic structure.

The brief statement hereunder illustrates the range of fluctuations in (a) *annual* average prices of certain primary

Item	Based on Annual Average Prices 1922-1937			Based on Monthly Average Prices 1937-1938	
	Per	Maximum	Minimum	Maximum	Minimum
Wheat ..	<i>cental</i>	12s. 9½d.	4s. 6½d.	8s. 3d.	4s. 8d.
Raw Sugar	<i>cwt.</i>	25s. 9d.	4s. 8d.	6s. 8d.	4s. 11d.
Wool ..	<i>lb.</i>	6s. 4¾d.	1s. 9d.	3s. 2½d.	2s.
Cotton ..	<i>lb.</i>	16.49d.	5.1d.	7.87d.	4.62d.
Rubber ..	<i>lb.</i>	34.75d.	2.33d.	11.9d.	5.66d.
Tin ..	<i>ton</i>	£291	£118	£283	£163
Copper ..	<i>ton</i>	£75 8s.	£30 6s.	£72 8s.	£35 6s.

* An exception might be made for strategic reasons and/or for the purpose of replacing old stocks with new. See pp. 80 and 82.

Introductory

products—*of even grade*—over the period 1922 to 1937 and in (b) the *monthly* average prices of the same commodities from January 1937 to December 1938. Prices year by year and month by month will be found set out (with descriptions of grades) in Appendix I.

LIMITING PRICE FLUCTUATIONS

The margin between the Corporation's guaranteed buying price for each commodity and its guaranteed selling price for such product (say something between 10 and 20 per cent) would, in due course, mark a definite range for possible future market fluctuations. The Corporation would guarantee not to alter either its buying or its selling prices without a minimum of (say) one year's notice.

THE RANGE OF STORABLE PRODUCTS

Subject to what appears in Chapter V it would seem that the following primary products, among others, would be suitable for storage under proper conditions: grain and pulse, nuts and seeds for expressing oil, animal feeding stuffs, oils, fats, waxes, and resins, textile and fibrous raw materials, crude rubber, raw sugar, certain timbers and wood pulp, mineral substances and crude metals, and raw tobacco.

Subject to canning, cold storage, or other appropriate facilities, reserves might also be established of more perishable goods such as: meatstuffs and fish, dairy produce, fruit and vegetable stuffs, and hides (wet stored).

National Reserves for Safety and Stabilization

In this connection special interest attaches to the report issued in September 1938 of the Food Investigation Board. This report is referred to in Chapter V in which a more detailed list of storable products appears.

An analysis of our imports of certain of the more important of these commodities during recent years, showing origin and prices paid, together with a statement of fluctuations in prices over the past ten years appears in Appendix I.

COMPREHENSIVE APPLICATION

Some people would wish to see this plan restricted in its application to products from within the British Commonwealth and Empire, but this would be extremely difficult to administer and it would be simpler and more widely beneficial (and reciprocally beneficial) to apply it to products from all countries.

SOME BENEFITS OF THE PLAN IN OPERATION

(a) THE PRIMARY PRODUCERS

Primary producers of a wide range of commodities would be guaranteed a minimum price for all such products as were not readily absorbed in the open market in which prices would, in effect, be subject to certain limitations.

(b) WHOLESALE BUYERS

Wholesale buyers would be assured (as soon as reserves had been established) of supplies of the same range of primary products at prices which could not then rise above that at which each item of

Introductory

such produce could be obtained from the Corporation; though all buyers would still be free to purchase more advantageously in the open market at prices down to, but not below the price at which the Corporation was always prepared to take delivery.

(c) INCREASING COMMERCIAL STOCKS

As it would be known to all concerned that the Corporation (for at least a year) would always purchase at (say) 90s. per unit of measure but that it would not sell excepting at (say) 110s. per equivalent unit (which would permit of a 20 per cent fluctuation in the open market) buyers would be unwilling to allow any produce they were likely to require during the ensuing year to pass into Corporation ownership; and, in consequence, many buyers would purchase their own reserve stocks, and to that extent the Corporation would be saved capital outlay and administrative expenses. In this connection, buyers who desired to maintain their own reserves should have the right to space in the Corporation's stores in payment of net costs—always subject to the Government's prior claim on such goods in the event of war, in which contingency it may well be anticipated all reserves, wherever stored, would be taken over by the Ministry of Defence.

(d) EXIT THE HARMFUL SPECULATOR

Harmful speculation in this country, or indeed in any country from which we draw supplies, would

National Reserves for Safety and Stabilization

be eliminated in due course. Real surpluses would automatically pass into the national reserves which could always be drawn upon in the event of demand exceeding supply.

(e) RELATING PRODUCTION TO DEMAND

The Corporation could usually stimulate or retard future volumes of production (physical factors apart) by announcing an alteration, upward or downward, in its prices—as from one year hence. Thus, approximate supply could gradually be related to approximate demand, with due regard to the necessity for maintaining reserves. And at the outset this method would encourage any necessary increased production over the period essential to establish such national reserves as were deemed to be prudent for the dual purpose of price stabilization and national safety in the event of war.

(f) MAINTAINING PURCHASING POWER

The purchasing power of the primary producers would be maintained to the great advantage of secondary and ancillary industries and services.

(g) EFFECT ON ECONOMIC STRUCTURE

The stabilizing of prices of primary products would impart a corresponding stability to the whole economic structure whose base is primary production.

Introductory

TARIFFS AND PREFERENCES

The Corporation's operations would not be affected by the existence or otherwise of tariffs and preferences. Its stores could be Bonded stores for goods on which duties were payable. While no preferential price could be paid for produce entitled to preferential *duties*, the system of clearance from Bond could be so adapted as to preserve any preferential principle—in accordance with a procedure suggested in Chapter VII.

N.B.—So many side issues are involved in the application of the plan advocated in this book that it would be unfortunate if the reader, having perused the foregoing brief summary, did not refer to the general text which follows. In this I have endeavoured to anticipate all reasonable questions likely to arise in the minds of constructive or destructive critics; and I have sought to set down what I hope will prove to be convincing answers to such questions.

L. St. C. G.

National Reserves for Safety and Stabilization

ILLUSTRATIVE ANALOGIES

(a) EXCHANGE EQUALIZATION FUND AND THE PROPOSED CORPORATION

It will have been appreciated that the purpose of functions of the proposed Corporation are in some degree analogous to the purpose and functions of the Exchange Equalization Fund of the Treasury. This is made clear in the following statement *written as though the Corporation was functioning.*

The $\left\{ \begin{array}{l} \text{Exchange Equalization Fund (in effect)} \\ \text{Price Stabilization Corporation} \end{array} \right\}$ buys $\left\{ \begin{array}{l} \text{an imported foreign currency} \\ \text{certain stipulated commodities} \end{array} \right\}$ when there is a surplus of $\left\{ \begin{array}{l} \text{a foreign currency} \\ \text{any stipulated commodity} \end{array} \right\}$ —the fact that there is a surplus of such $\left\{ \begin{array}{l} \text{currency} \\ \text{commodity} \end{array} \right\}$ being automatically revealed by the low price at which it can be bought in the $\left\{ \begin{array}{l} \text{money} \\ \text{commodity} \end{array} \right\}$ market; and the $\left\{ \begin{array}{l} \text{E.E. Fund (in effect)} \\ \text{Corporation} \end{array} \right\}$ sells the same $\left\{ \begin{array}{l} \text{currency} \\ \text{commodity} \end{array} \right\}$ when there is a deficiency of that $\left\{ \begin{array}{l} \text{currency} \\ \text{commodity} \end{array} \right\}$ in the $\left\{ \begin{array}{l} \text{money} \\ \text{commodity} \end{array} \right\}$ market—the fact that there is a deficiency being automatically revealed by the high price which has to be paid for

Introductory

that $\left\{ \begin{array}{l} \text{currency} \\ \text{commodity} \end{array} \right\}$ in the open market. The prices at which the $\left\{ \begin{array}{l} \text{E.E. Fund (in effect)} \\ \text{Stabilization Corporation} \end{array} \right\}$ becomes a buyer or a seller are determined, after proper enquiry, by those in control of the $\left\{ \begin{array}{l} \text{Equalization Fund} \\ \text{Stabilization Corporation} \end{array} \right\}$ and the margin between the buying and selling prices of the $\left\{ \begin{array}{l} \text{currency} \\ \text{commodity} \end{array} \right\}$ concerned represents the margin of possible fluctuations in dealings in that $\left\{ \begin{array}{l} \text{currency.} \\ \text{commodity.} \end{array} \right\}$

N.B.—The Treasury's administration of the Exchange Equalization Fund is, of course, influenced by the gold reserve position of this country and other countries whose currencies are the subject of dealings. Furthermore, its activities are obviously more concerned with the exchange value of the pound sterling than with the exchange value of any foreign currency. In this connection, however, it is important to note that the Treasury does not announce in advance the prices at which it will become (in effect) a buyer or a seller of any foreign currency. This is determined from time to time by circumstances. But the analogy between the purpose of the Exchange Equalization Fund and the purpose of the proposed Corporation will be found to be sound in principle though there are minor discrepancies in detail.

National Reserves for Safety and Stabilization

(b) THE BANK OF ENGLAND AND THE PROPOSED CORPORATION

An analogy is to be drawn also between the functioning of the Bank of England as buyer and seller of gold—*prior to the abandonment of the gold standard* in September 1931—and the functioning of the proposed Corporation.

When Great Britain was on the gold standard the Bank of England guaranteed a regular buying price for gold at 77s. 9d. per *standard* ounce (a standard ounce is “eleven-twelfths fine”). And the Bank of England guaranteed to sell gold at 77s. 10½d. per standard ounce. Thus, in effect, the price of gold in the open market was permitted to fluctuate by 1½d. per ounce.

During the latter half of last century vast deposits of “new” gold were discovered in Australia, North America, and elsewhere—over £1,000,000,000 worth. Yet the Bank of England’s policy was maintained; and the price of gold was established and was reasonably stabilized throughout the world, at least until the Great War.

It is such a policy, properly elastic to meet circumstances, which the Price Stabilization and National Reserves Corporation would establish and maintain. And this Corporation would doubtless exercise the same world-wide price stabilizing influence in respect of a wide range of essential commodities as the Bank of England did in respect of gold.

There is also some analogy to be drawn between Great Britain’s abandoning the inelastic gold standard and subsequently establishing the Exchange Equalization

Introductory

Fund whose elasticity of administration is more akin to what that of the proposed Corporation would be than was the original Bank of England policy of maintaining *fixed* buying and selling prices.

"Let Pharaoh do THIS, and let him appoint officers over the land. . . . And let them gather . . . and lay up corn . . . and let them keep food in the cities. . . .

And Joseph gathered corn as the sand of the sea, very much, until he left numbering, for IT WAS without number. . . .

And when all the land of Egypt was famished, the people cried to Pharaoh for bread. . . .

. . . And Joseph opened all the storehouses, and sold unto the Egyptians; and the famine waxed sore in the land of Egypt. . . .

And all countries came into Egypt to Joseph for to buy corn; because that the famine was SO sore in all lands."

GENESIS xli. 34-57.

CHAPTER I

BASIC FACTS

THE FOUNT OF ALL WEALTH

Crude foodstuffs and raw materials are the bases of all real wealth. In primitive society everyone is a producer but with the progress of civilization and the growth of its complexities the vast majority of people have drifted so far from primary production that few give thought to their complete dependence on those who till the soil, tend the flocks and herds, fish the seas, range the forests, and prise mineral wealth from the earth.

Yet it is out of the fruits of the constant labour of others in such fields that most people are enabled to live—in plenty for the most part—surrounded by conveniences, comforts, and amenities, for all of which we are indebted to the first producers of foodstuffs and raw materials. That there are still millions of people even in Great Britain existing on the “bread line” is the fault of our economic system rather than of the primary producer.

CINDERELLAS OF OUR ECONOMIC SYSTEM

Nevertheless, it is indisputable that primary producers and their employees are, too often (also) Cinderellas of that economic system. The products of their labours usually take a year, sometimes several years, to bring to the marketable stage. If, as sometimes happens,

National Reserves for Safety and Stabilization

the prices they receive fail even to offset actual costs, these sellers have no redress and no means of recovering their losses because their vending of their produce is the *last* phase of their enterprise.

At the stage at which the primary producer embarks on his productive work he has no assurance as to what he will receive for the fruits of his labours when he will have them ready for market, perhaps a year—maybe several years—later.¹ Therefore his whole enterprise is a gamble, first—more or less inevitably—with nature, then, *and quite unnecessarily*, with widely fluctuating market prices.

POSITION OF THE CONSUMER

If good fortune is on the producer's side and prices are high when his goods come on the market, this is only the *first* phase of the wholesale buyers' transactions, and the latter can—and naturally does—pass on the increase through the ramifications of trade till it reaches the ultimate consumer who, like the first producer, has no redress. But, while the ultimate consumer has a wide range of selection from which to choose in buying for his subsistence (whereby, if he so wishes, he can generally avoid buying temporarily high priced goods) the primary producer is restricted in his selling to what he has produced and he is usually obliged to sell however low the price may be.

¹ Excepting those relatively few primary producers in countries whose Governments guarantee them a minimum price for certain of their products.

BEWILDERING FLUCTUATIONS

Price fluctuations over a range of foodstuffs and raw materials of recent years to the end of 1938 are set down in some detail (with sources) in Appendix I, but a few examples may be given here. Each set of prices refers to one recognized type and grade of the product concerned. Between 1922 and 1937 (inclusive) the *average annual* prices of wheat varied from 12s. 9½d. to 4s. 6½d. per cental; of merino wool (66's clean basis), from 6s. 4d. to 1s. 7½d. per lb.; of raw cotton (American middling), from 16·49d. to 5·1d. per lb.; of crude rubber, from 34·888d. to 2·33d. per lb.; of butter (New Zealand), from 200s. to 79s. 9d. per cwt.; of raw sugar, from 25s. 9d. to 4s. 8d. per cwt.; of tin, from £291 to £118 per ton; and of copper, from £75 8s. to £30 6s. per ton.

Reviewing prices of the same products in *monthly averages* for twenty-four months commencing January 1937, we find the following ranges: of wheat, from 8s. 3d. to 4s. 8d. per cental; of merino wool (as above), from 38½d. to 24d. per lb.; of raw cotton (as above), from 7·87d. to 4·62d. per lb.; of crude rubber, from 11·9d. to 5·66d. per lb.; of butter (as above), from 144s. to 93s. per cwt.; of raw sugar, from 6s. 7¾d. to 4s. 11½d. per cwt.; of tin, from £283 to £163 per ton; and of copper, from £72 8s. to £35 6s. per ton.

THE REACTIONS

These astonishing fluctuations expressed in prices per cental, cwt. or ton of raw products, convey little to

National Reserves for Safety and Stabilization

people outside the trade concerned; so let us see what such fluctuations in (for example) wheat prices might represent in gross trade values. The United Kingdom's annual average imports of wheat are about 116,000,000 centals which, at 12s. 9d. would cost about £74,000,000; while at 4s. 6d. the cost would be only about £26,000,000 (less selling charges in each case). In 1937 our wheat imports (97,000,000 cwt.) cost us nearly £50,000,000 while in 1938, for an increased import to 101,000,000 cwt., we paid only £38,600,000, a difference of over £11,000,000—whereby the wheat-growers' spending power was reduced accordingly.

On the one hand it is the consumer who suffers (in respect of one item of his daily expenditure, namely, bread); on the other hand it is the producer who suffers and it is he who is far more seriously affected because the sale of his wheat represents, if not the whole, at least a substantial part of his gross income.

For all his fundamental importance, the primary producer seems least able to safeguard his own interests, and the irony of this unstable state of affairs is that absence of prosperity among primary producers and their employees naturally decreases their spending power, and they are obliged to reduce their purchases of the very manufactures and services on the sale of which the buying power of most of the rest of the community depends, directly or indirectly. On the figures in the foregoing paragraph the spending power of wheat-growers exporting to this country would vary upwards or downwards by over £48,000,000 in a year—a figure

Basic Facts

equivalent to about 12 per cent of the value of the United Kingdom's total exports in manufactures in 1937. Although this is on the basis of comparing maximum and minimum *annual* averages over fifteen years a similar comparison based on maximum and minimum *monthly* prices (*applied to a year*) during 1937 and 1938 produces almost as startling a figure at over £38,000,000.

FAR-REACHING INFLUENCE OF FLUCTUATIONS

Thus, fluctuations in prices of crude foodstuffs and raw materials mean a great deal more than that the consumer may have to pay (say) a halfpenny more (or less) for a loaf of bread or for a pound of sugar. In the aggregate they mean that the whole economic structure is rendered unstable; and so we have periods of prosperity alternating with slumps and depressions with resultant personal, domestic, social, political, and international insecurity. And certain economists and financiers would appear to regard such an order of affairs as inevitable. Well, we shall see.

ECONOMISTS' PALLIATIVES—A FUNDAMENTAL FALLACY

During the late months of 1938 the columns of the daily Press carried a spate of letters from economists and others suggesting (and discounting) various palliative remedies for lessening the ill-effects of trade recession by the manipulation of credit and currency. Such measures are surely equivalent to endeavouring to impart strength to a tottering building by reinforcing

National Reserves for Safety and Stabilization

the roof while entirely neglecting the foundations; because, fundamentally, the monetary and credit system is a product of trading and not trade the product of money; and the whole foundation of trade is primary production.

Palliatives effected by juggling with our monetary system, that is with credit and currency, cannot possibly achieve any permanent advantage unless prices of primary products are first reasonably stabilized, when any increase in the volume of trade must be accompanied by an increase in the volume of money in circulation.

Stabilization of prices of primary products is the first and vital phase in relating the volume of currency (or of fluid credit) to trade requirements.

CAUSES OF PRICE FLUCTUATIONS

The causes of price fluctuations of primary products are legion.

First, there are the natural factors: good seasons and bad—frost, fires, floods, storms or droughts, diseases, and pests. The primary producer knows how to contend with these which are not new phenomena. He is well aware that nature demands intelligent co-operation from men if she is to yield a full measure of her bounty; and this intelligent co-operation is forthcoming over an ever-extending and seemingly limitless field. Where such intelligence is not displayed—as witness soil erosion following on careless farming, or many other examples nearer home which might be cited—retribution quickly follows.

Basic Facts

Next we have the creation of artificial scarcities owing to the machinations of speculators which, as we shall see, can be easily countered; and the occurrence of gluts in producing, and scarcities in consuming countries owing to the operation of high tariffs and of quota and exchange restrictions—which are not so easily overcome.

Then we have the instability of our whole economic system whereby there is no security or continuity in effective demand—that is, in the buying power of the consumer.

INTERNATIONAL ANXIETIES

Superimposed on all these causes of fluctuations are the anxieties arising out of the international situation, pregnant as it is with the possibilities of war, so that psychological factors assume an immeasurable importance in all commercial transactions which are more than ever hampered by large scale international “money” transfers.

So it is that our economic well-being increases and decreases in vicious spiral cycles.

PRICE STABILIZATION OF PRIMARY PRODUCTS

Yet the fundamental remedy is at hand if we care to use it. The problem must be tackled at its real base. Prices of as wide a range as possible of primary products must be stabilized and thus could a measure of unprecedented stability be imparted to the whole economic edifice upon which our personal security and the soundness of our social and political system depends.

National Reserves for Safety and Stabilization

I do *not* suggest *price fixation* for primary products; rather do I advocate a procedure that would put a definite limit on the margins over which the prices of the principal crude foodstuffs and raw materials would be permitted to fluctuate in future. If it were essential to take arbitrary action to this end I would still advocate its necessity; but it is *not*, as the desired results can be brought about in a simple manner with a minimum of interference with the legitimate functioning of trade in the open market.

EXISTING PRICE FIXATION

At the same time I would point out that the prices of a great many secondary products are already fixed, and that we are so accustomed to such fixed prices that we give them no heed. Millions of us buy our daily penny papers quite irrespective of their size, contents, or costs of production; we pay fixed prices for our cigarettes, for our beer or our spirits, and for a multitude of branded products.

In some cases such prices bear scant relationship to the actual cost (to the seller) of what is purchased. We may pay a shilling for a patent medicine the ingredients in which cost about a penny—but sixpence may have been expended to advertise it! We buy it without question because we believe it does us good. Whatever it may have cost the seller, if it is worth a shilling in the estimation of the buyer that is all that seems to matter to both parties concerned.

Basic Facts

THE REWARDS OF COURAGE

The makers of the medicine, or of most other branded products, prosper exceedingly in good times while at other times they just prosper—at least one seldom hears of their going to the wall. The reason is not far to seek. It is because the proprietor concerned has had the courage to fix a price which he believes his product to be worth in public estimation.

And bear in mind that such products are seldom if ever vital necessities (though tobacco is at least an urgent need with most of us). If, therefore, price fixation succeeds in the selling of non-essentials, how much more successful would the system be if applied to vital necessities on a basis of real average costs plus only legitimate profits and in respect of which such extraneous charges as advertising would seldom figure.¹

PERMISSIBLE FLUCTUATIONS

But, as I have said, one does not advocate price *fixation* for primary products but merely that a system tending to stabilization and imposing a limit on future fluctuations should be introduced and maintained. It is to be admitted that a measure of courage and good judgment are essential in defining the limits of permissible fluctuations; but, seeing that prices of most primary products have varied "of their own accord" (comparing

¹ One is aware that a small levy is made by certain exporting countries on produce exported to provide funds for advertising, e.g. for Australian butter, but the amount of such levy in proportion to the wholesale price is negligible.

National Reserves for Safety and Stabilization

minimum with maximum prices) by 100 per cent (some by several hundred per cent) of recent years, no error made by the authority charged with defining future limits could fail to improve on what has hitherto been the established "natural" order—or *disorder*. Actually it would prove practical, in due course, to keep fluctuations within a twenty per cent, or even within a ten per cent limit.

THE MERITS OF RESERVES

Far more water is precipitated on London and the Home Counties in a normal year than would possibly be required by their upwards of 20,000,000 inhabitants. But what would our predicament be if, having installed the most elaborate system of pipe distribution, we neglected to establish reserves of water to be drawn upon as required? Suppose we had to depend on small dams of the irregular flow, from season to season, of rivers and small streams. Sometimes the pressure would be so great that, when we opened our taps, the water would gush forth in plenty; while at other seasons there would be a mere trickle if, in fact, there were any flow at all.

Therefore we co-operate with nature by constructing huge reservoirs in which we take care to keep the water above a certain level that will ensure a regular flow to every user. These reservoirs—along with pipe distribution—have cost immense sums—probably from £200,000,000 to £300,000,000—to construct, but the resultant charge is so spread out among the community

Basic Facts

that the (stabilized) price of water is so low—to the average domestic consumer—as to be negligible.

EXTENDING THE RESERVOIR SYSTEM

In considering how to maintain a regular flow of essential foodstuffs and raw materials to meet consumer requirements, instead of continuing to depend on hazardous, let us keep in mind the merits of the water reservoir because it can only be by having a similar system in operation for primary products that either continuity of supply or stability of prices can be assured.

CHAPTER II

ESSENTIAL COMMODITIES RESERVES ACT, 1938

WARTIME MEMORIES

It is difficult for those of us who were grown men and women during the Great War to realize that few people now under thirty years of age have more than the haziest recollection of what those who were not on service abroad during 1914 to 1918 came to accept as part and parcel of their daily lives—ration cards, meat queues, bread queues, shortages of practically every form of foodstuffs. It was only after the war that we learnt how narrowly we had escaped the calamity of being practically starved into some form of capitulation.

With these experiences and this knowledge fresh in their minds many people (the writer among them) without laying claim to any special prescience repeatedly urged a succession of Governments to safeguard the future by establishing national reserves of storable primary products—against the possibility of our being unwittingly again involved in war.

NEGLECTED OPPORTUNITIES

But no Government paid heed to these urgings poured forth, as they were, from public platforms and in the columns of the Press.

Since the Great War there has been unprecedented fruitfulness from the soil throughout the British Empire

as well as in other countries—fruitfulness on a scale which (owing to the inelasticity of our economic system) created gluts in world markets so great as to result in prices falling to ridiculous levels that spelt ruination to primary producers and which caused the whole structure of industry and commerce to totter.

“WHAT MIGHT HAVE BEEN”

If during those bounteous years the British Government had boldly entered the markets and had purchased such products as wheat, maize, textile raw materials, crude rubber, and various minerals, sufficient to put into national reserve six months' or a year's normal supply, incalculable benefits would have followed.¹ The fall in prices would have been checked to an extent that would have saved countless primary producers from ruin; and a steadying influence would have been imparted throughout all the ramifications of industry and commerce. Our strategic position would have been greatly strengthened to an extent that would have ensured far more respect being paid to our counsels in international affairs. And our own sense of security would have begotten a measure of confidence whose psychological influence on our internal economy would have been immeasurable.

Furthermore, the fear of war apart, the building up and maintenance of such reserves could, at any time, have been organized so as to stabilize prices.

¹ This theme is further developed by a lengthy interpolation in Chapter VI written in the light of the wheat position that developed while this book was being prepared.

National Reserves for Safety and Stabilization

A START IS MADE

But Government after Government permitted these opportunities to pass and allowed prices to fall to about half those to which they had recovered when, in the early months of 1938, an announcement was made that a new Department under the Ministry of Defence had actually purchased a quantity of wheat and whale oil. A start has been made for which all (especially those who had so long advocated this policy) were thankful.

ESSENTIAL COMMODITIES RESERVES ACT

Next came the passing of the Essential Commodities Reserves Act on July 29, 1938. Under this measure extensive powers are vested in the Board of Trade whereby that Department may require all persons trading in certain commodities to keep it posted as to quantities held, as well as concerning the storage facilities which are at the disposal of the firms concerned. The Board of Trade may now materially assist commercial houses to increase and maintain their stocks—by monetary grants (presumably for the erection or improvement of stores) and by loans which may be advanced against the value of stocks held.

EXTENSIVE POWERS

Furthermore, the Board of Trade is now authorized to erect and maintain its own stores and to purchase the commodities to fill them.

Essential Commodities Reserves Act, 1938

These powers are certainly extensive but the commodities scheduled as coming within the scope of this Act do not include any industrial raw materials. The actual wording of the Schedule is as follows:

‘Any commodity which in the opinion of the Board of Trade may be required as food for man, forage for animals or fertilizer for land, and any raw material from which such commodity can be produced. Petroleum and any product of petroleum.’

LIMITED APPLICATION

As men have to clothe their bodies as well as sustain themselves with food, the Schedule might well have included raw wool, raw cotton, and other textile materials; and one feels that it would have been only prudent to have embraced in the Schedule minerals, chemical substances, timber, and other industrial raw products such as are listed in Chapter V.

COMPETITIVE GOVERNMENT BUYING

Under this Act as it stands, it seems that all official purchases to be made will be effected in competition with commercial buyers in the open market. That the actual dealings will probably be conducted so as not to reveal the Board of Trade as the buyer, is beside the point. If purchases are to be made on an effective scale from only normal supplies, the inevitable result will be substantial rises in wholesale prices; but better that we

National Reserves for Safety and Stabilization

should go short for the time being if the desired results could be achieved thereby. But there is a limit to which such competition in the open market could be carried without serious repercussions, and that limit would soon be reached if the Board of Trade embarked on very large-scale purchasing; and it is extremely improbable that it will do so excepting in serious emergency.

THE ALTERNATIVE

To be effective, without disrupting ordinary trade, the business of establishing reserves must be limited to dealings in supplies easily identifiable as *surplus to current requirements*. And unless such surpluses come forward in the ordinary way (which seems unlikely so far as some products are concerned) steps must be taken to encourage the export to this country of larger than normal supplies which would generally mean increased production overseas—all of which takes much time. Thus the business of establishing reserves should be based on a long range policy so administered that it could be used, also, to effect price stabilization.

A DUAL-PURPOSE PLAN

But, I suggest, this is not the type of enterprise that should be handled directly by a Government Department, and this brings me to the stage at which I shall set down the detail of my Plan, the application of which, in addition to ensuring our gradual establishment of

Essential Commodities Reserves Act, 1938

adequate reserves, could also effect a far-reaching service to producers, manufacturers, processors, and consumers alike of a type that has not hitherto entered into the economy of supply and demand in this country or elsewhere.

CHAPTER III

PRICE STABILIZATION AND NATIONAL RESERVES

PRICE MARGINS BASED ON RESERVES

Let us now visualize the establishment of a Price Stabilization and National Reserves Corporation to be set up and financed, but not administered, by the Government. Stated shortly, this Corporation's functions would be: *to purchase* certain primary products *when supply was surplus to current requirements at reasonable prices*; that is, when prices fell to a prescribed level; to hold such commodities in reserve; and (the exigencies of our strategic situation permitting) *to liberate* (by selling on demand) such products *when demand exceeded supply at reasonable prices*—that is when prices rose to a prescribed level. A basis on which levels, below or above "reasonable prices" for buying and selling, could be established is suggested later.

It is difficult to get the order of events into correct sequence, but when the salient features of the Plan are set down the chronology of events will become apparent.

REQUISITE LEGISLATION

The enabling legislation for the setting up of the Corporation could be embodied in a short Act outlining its constitution and its functions, and authorizing its finance by the Treasury. Its personnel might be appointed by the Prime Minister or the President of the

Price Stabilization and National Reserves

Board of Trade. It is suggested that this personnel should comprise at least five members—three non-official and the others representing the Treasury and the Board of Trade; or a larger personnel might embrace also a representative each from the Ministries of Defence and of Agriculture and Fisheries. Non-official members would be selected for their knowledge of business-finance and marketing. Appointments should be for five years—at least the Chairman being properly remunerated for full-time service.

The Act might define the Corporation's functions (as above) so as to authorize it:

- (a) to establish effective storage facilities adequate for (say) up to one year's requirements of certain specified foodstuffs and raw materials;
- (b) to purchase these products (if of at least fair average quality) at such prices, fixed for a minimum period of one year in advance, as the Corporation after proper enquiry should decide upon as offering at least a reasonable assurance to efficient primary producers against loss in normal seasons;
- (c) subject to the requirements of the Ministry of Defence, to dispose of such products, on demand, at prices not less than (say) 10 per cent and not more than (say) 20 per cent above the price which had been paid for them;¹ and
- (d) to provide at an appropriate rental, any reason-

¹ See pp. 80 and 82 for necessity for possible provisos.

National Reserves for Safety and Stabilization

able storage facilities as were applied for by wholesale owners of reserve stocks.

The Act would schedule a list of the commodities which might be taken into reserve by the Corporation.

FINANCIAL PROVISION

The financial provisions of the Act would authorize the Treasury to make grants and/or loans to the Corporation within specified limits as approved by Parliament.

The Corporation would be responsible to a Minister—preferably to the President of the Board of Trade—who would have the right of veto (vested in him under the Act) in respect of the Corporation's expenditure and administration.

AN ANALOGY—THE SPECIAL AREAS FUND

The nearest analogy (of which I am aware) between any existing similar organization and the proposed Corporation is that provided by the Special Areas Administration whose Commissioners, though nominally independent, are in fact very much under the control of the Minister of Labour.

The system of finance under the Special Areas Act provides for a Special Areas Fund into which the Treasury makes payments on the application (approved by the Minister of Labour) of the Commissioner (either for Scotland or for England and Wales). Such Treasury

Price Stabilization and National Reserves

contributions are either loans or grants because the Commissioners' disbursements (apart from administration expenses) are by loan and/or grant. Thus local authorities in the Special Areas may be financially assisted, in the carrying out of certain public works, partly by loan and partly by gift from the Special Areas Fund. On the other hand, all financial aid afforded by the Commissioners to such bodies as the National Council of Social Service is by way of outright gift.

EXPENDITURE—RECOVERABLE AND IRRECOVERABLE

So it is that part of the money paid by the Treasury into the Special Areas Fund is recoverable at interest, and part of it is irrecoverable. This money may be provided out of Revenue but the same procedure would be followed if it were provided out of Government loans. In the latter event, however, the Treasury would have to recover the value of grants out of Revenue, and as virtual guarantor of loans made through the Special Areas Fund, would have to recover also both interest and sinking fund out of Revenue in the event of default on the part of any borrower from that Fund.

In effect, the Commissioners' incomings are restricted to interest on, and repayment of the loans they make; while the Treasury meets all administrative expenses as well as providing moneys disbursed by the Commissioners in the form of outright grants.

National Reserves for Safety and Stabilization

CORPORATION EXPENDITURE (INVESTMENT) AND INCOMINGS

The Price Stabilization and National Reserves Corporation's expenditure would fall under three main headings:

1. administration expenses;
2. capital outlay on the erection and maintenance of stores; and
3. disbursements on commodities purchased.

The income which this Corporation would receive would be in the form of:

1. rent for storage of goods which were the property of commercial owners, and
2. profits on sales of produce.

It will already have been appreciated by the reader that the analogy between the incidence of expenditure (a) from the Special Areas Fund and (b) from the suggested National Reserves Fund is only approximate—unless the results of Special Area Fund gift expenditure on social welfare were regarded as being as tangibly advantageous to the whole community as reserves of essential commodities would be.

However, such comparisons as have been possible will serve to explain in principle how it is suggested the Price Stabilization and National Reserve Corporation could be financed. Administrative expenses might be provided by the Treasury out of Revenue, but the cost

Price Stabilization and National Reserves

of erection of stores and of the produce put into reserve would doubtless have to be raised by public loans issued by the Corporation and guaranteed by the Treasury as to both interest and redemption. But this, as we have seen, is in principle what the Government is committed to under the Essential Commodities Reserves Act.

ESSENTIAL PRINCIPLE NOW ESTABLISHED

So the requisite principle has been established by law. All that is required, now, is the adaptation of that principle to another, a more comprehensive and a more widely beneficial system of administration.

While it is impossible to estimate either the outgoings or the incomings of the proposed Corporation, a limit (not even remotely likely to be reached without the Corporation's having ample time to adjust both its buying and selling prices with due notice) could be fixed to correspond with the estimated cost of one year's reserve supply of the primary products scheduled under the proposed new Act.

UNITED KINGDOM'S IMPORTS OF PRIMARY PRODUCTS

In 1937 the total value of the United Kingdom's Class I imports, i.e. "of food, drink and tobacco," was £432,000,000, and of Class II imports, i.e. "of raw materials and articles mainly unmanufactured," £315,000,000—a total of £747,000,000. Re-exports of Class I imports were valued at £13,000,000 and those of Class II at £37,000,000. Thus our net Class I imports

National Reserves for Safety and Stabilization

cost £419,000,000 and Class II £278,000,000; so that our retained imports of "food, drink, and tobacco" and of "raw materials and articles mainly unmanufactured" had a gross value of £697,000,000 in 1937.

The corresponding figure for 1936 was £585,000,000, while for 1935 it stood at £526,000,000. These totals however include the costs: (a) of many commodities that could not be described as essentials; (b) of certain products (such as tobacco leaf and crude rubber) of which there are nearly always at least one year's (in some cases several years') stocks already held in Great Britain by commercial firms; and (c) of many products that are quite unsuitable for storage.

If the figure £400,000,000 were taken as representing the full cost at normal prices of a year's supply of (storable) essential foodstuffs and raw materials, it could certainly be regarded as a maximum (and only remotely likely) outlay.

INCREASED COMMERCIAL STOCKS

The functioning of the Corporation would assuredly lead to larger than ordinary stocks being carried in the ownership of wholesale buyers. Let us suppose that the Corporation had decided to purchase a certain product delivered at its depots at 90s. per unit of measure, and to sell that product on demand in the same unit of measure (the Ministry of Defence permitting) at 110s. The range of "permissible" fluctuations in the open market would be from 90s. to 110s. per unit, and within that margin trade would proceed as usual, but so soon

Price Stabilization and National Reserves

as supply exceeded demand—including demand for reserves ordinarily carried by business houses—the price would fall precipitately if it were not that the Corporation would take delivery at 90s.

But wholesale buyers, knowing that once the commodity had passed into Corporation ownership at 90s. it could not be released excepting at 110s., would be unwilling to run the risk of having to pay the higher price; and it may be assumed that they would buy much larger supplies than they ordinarily carry.

SPACE IN CORPORATION STORES SHOULD BE RENTABLE

In this connection every wholesale buyer should have the right to apply to hire space in the Corporation's stores at the net proportionate cost (to the Corporation) of the provision of such storage facilities; and such space should not be unreasonably refused. This net charge should usually be below what it would cost a commercial firm to provide its own additional smaller-scale storage accommodation. The only proviso would be that the Ministry of Defence should always have first claim on such stocks at current market prices or at the capital cost (plus other outgoings) to the owner, whichever were the greater. But, in the event of war, primary products wherever stored would doubtless be taken over by that Ministry—so that the existing position of the actual owner would not be altered irrespective of where he held his stocks. While British owners should always have first claim on storage accommodation, there does not appear to be any reason why foreign owners of

National Reserves for Safety and Stabilization

stocks should not be permitted to hire space on the same terms and conditions as those applying to British owners.

SAVING IN CORPORATION OUTLAY

To whatever extent the stocks in the ownership of commercial concerns were increased as the result of the existence of the Corporation's guaranteed buying-and-selling-prices scheme, the Corporation would be saved, by so much, capital outlay on the purchase of reserves of any particular commodity.

We have often been told that normal stocks of essential commodities available in Great Britain would last "only about three months" if supply was cut off. If, in normal times, three months' supply (of all essential commodities) is, in fact, in reserve under commercial ownership, the probability is that the incidence of the functioning of the Corporation as a buyer and seller, and its providing traders with modern storage facilities at a rental based on net costs, would jointly result in commercial reserves being built up to from four to six months' supply.

MAXIMUM REMOTE OUTLAY

Thus, to ensure that the nation had a year's reserve, the Corporation would probably need to purchase, at most, only eight months' supply or two-thirds of £400,000,000 worth of essential (storable) commodities. Hence its maximum outlay—on purchase of

Price Stabilization and National Reserves

really necessary strategic reserves—might be about £260,000,00.

NEGLECTIBLE PER CAPITA ANNUAL COST

If we assume that such an outlay was ultimately accumulated, the gross annual interest charge thus far (at, say, 3 per cent) would be under £8,000,000 or about 3s. 4d. per head of our population. Continuing our hypothesis—which is the only basis on which to illustrate the possible financial results of the scheme—let us suppose that, during the course of a year, wholesalers bought out of Corporation ownership 10 per cent of total reserve stocks, i.e. £26,000,000 worth. With a 20 per cent “profit” to the Corporation, such transaction would represent an income of £5,200,000 to help pay the *interest* bill which would thus be reduced to £2,800,000 a year.

It would be too hazardous to attempt to arrive at the cost of erecting and maintaining modern stores, but I think we are justified in assuming that a considerable proportion of the annual charges would be met out of rent for space. However if the stores cost £100,000,000 at a net 5 per cent (covering interest and redemption) this annual charge would be only £5,000,000—to which administrative charges would have to be added. But it is clear that the gross charge would probably be far below £10,000,000 a year. However, even if it were £20,000,000 it would be a negligible figure in the public economy of such a country as the United Kingdom. It is desirable that this should be borne in mind because all forward

National Reserves for Safety and Stabilization

estimating might be upset by enormous gluts of one or more products coming into the market. This contingency is dealt with in Chapter VI.

Sufficient has perhaps now been said about the legal and financial aspects of my proposal to illustrate its main requirements of the Government.

PROFESSOR KEYNES' PROPOSAL

In a paper read on his behalf before the Economics Section of the British Association for the Advancement of Science (in August 1938) Professor J. M. Keynes advocated storage of foodstuffs and raw materials to a value of £500,000,000 even if the annual cost *did* amount to £20,000,000; but Professor Keynes proposed that *free* storage accommodation should be made available to traders and that, to encourage commercial owners to build up large reserves, the Government should advance up to 90 per cent of their current market value.

This suggestion, or so it appears to me, is to invite the Government to embark on extremely hazardous enterprises. Ninety per cent of the market value of any product to-day might easily be 120 per cent of its (proper) market value in a month's time; or (more likely and as a direct result) it might be only 60 per cent of its (proper) value at that date. Surely Professor Keynes' plan, instead of stemming the tide of harmful speculation, would facilitate a greater measure of speculation. If they were able to get a 90 per cent advance from the Government, speculating traders (with free storage) could corner immense stocks ordinarily required

Price Stabilization and National Reserves

for current consumption and they could hold consumer-buyers to ransom with great profit to themselves but with disastrous results to others concerned. The actual proposals as made by Professor Keynes in his paper are printed in Appendix II.

CHAPTER IV

ESTABLISHING RANGE OF PRICES

By reviewing what has been said in previous chapters we are now in a position to visualize the proposed Price Stabilization and National Reserve Corporation as being legally established and adequately financed.

ADVISORY COMMITTEES

As a first step towards determining its buying and selling prices, the Corporation would set up an advisory committee in respect of each primary product or for each group of kindred commodities. The people directly concerned in wholesale prices in the ordinary way of business are the producers and their selling agents, and the wholesale buyers and their buying agents—brokers, dealers, and so forth. These “middle men”—mere speculators apart—all have their proper functions. Therefore each advisory committee would comprise nominees to represent these various interests; with an impartial chairman appointed by the Corporation.

PRIMARY PRODUCERS' REPRESENTATIVES

There is little doubt that each group of overseas producers would wish to be represented by practical men familiar from experience with all phases of production and with its vicissitudes. Primary producers would therefore not be slow to send competent representatives

Establishing Range of Prices

to contribute their expert knowledge to the counsels of each committee. Canadian and Australian (and Argentine and other foreign) wheat growers would soon find the right men who knew and could state the detail of production costs in wheat-growing from year to year with due regard to varying seasons, wages and transport costs, and to depreciation of plant—and with special regard to the vital necessity for maintaining the soil in good fertility.

Such men would be forthcoming, also, to take their places on the committee for every other primary industry whose fruits came within the ambit of the scheme. Thus would the case for the producers be well stated.

Similarly, out of a prompt recognition of the significance of the Corporation's activities, wholesale buying interests would ensure that they were represented by the best available men.

REVIEWING PAST PRICES

In consultation with the appropriate committee the Corporation would carefully review the prices which had obtained over (say) ten preceding years. It would probably be mutually agreed to disregard certain of these years during which the general economic situation had been so abnormal as to be grossly misleading. But in this respect the Corporation would have before it the views of both buying and selling interests.

Let us see now what a cursory examination of wheat prices would show. The average of monthly mean prices for wheat on the Liverpool spot market during each of

National Reserves for Safety and Stabilization

the past ten years have been as follows (per cental of 100 lb.):

1928	10s.	1933	5s. 1d.
1929	9s. 1½d.	1934	4s. 10½d.
1930	7s. 2d.	1935	5s. 9½d.
1931	4s. 6½d.	1936	7s. 5d.
1932	5s. 5¼d.	1937	9s. 5d.

It will be noticed that the five low annual average prices are set in italics.

On these figures, the mean annual average price over the whole decade was 6s. 10·625d. per cental (equivalent to 4s. 1·58d. per bushel); and the corresponding average over the five years of higher prices was 8s. 7·45d. per cental (equal to 5s. 2d. per bushel); while over the low-price years the average was 5s. 1·75d. per cental (equivalent to 3s. 1d. per bushel). At the time of writing the price stands at 4s. 8d. (equivalent to 2s. 9½d. per bushel), which is less than half the average obtained during 1937.

I imagine that the representatives of the growers would have little difficulty in convincing the Wheat Committee that a market price of 3s. 1d. per bushel (less freight, insurance, and brokerage) involved the grower in heavy losses; and they *might* be able to demonstrate that a c.i.f. price of 4s. 1·58d. was still not a paying proposition, but I should be surprised if they could.

THE DATUM LINE

On the other hand, the buyers would doubtless be able to dispose of any claim (if made) by the growers

Establishing Range of Prices

that the c.i.f. price should normally be as high as 5s. 2d. per bushel. I certainly do not know what the normal price ought to be but, if one heard the representatives of both sides and was in a position (as the Corporation personnel would be) to question representatives on both sides, he would be singularly bereft of courage if he could not come to a decision as to the fixing of a *datum line* for a period of at least one year (unalterable without a full year's notice). And it is possible, on the figures above, that such a *datum line* ought to be fixed at 4s. 2d. per bushel (c.i.f.) which would be equivalent to 6s. 11·3d. per cental.

GUARANTEED MINIMUM BUYING AND MAXIMUM SELLING PRICES

If, in fact, 6s. 11·3d. per cental were decided upon as the *datum line*, it would be for the Corporation—taking all factors into consideration—to decide how far below and above that *datum line* it would fix its buying and selling prices. Supposing it worked on the basis of keeping future fluctuations within a limit of 20 per cent, it would obviously fix its buying price at 6s. 11·3d. per cental *less* 10 per cent which would be about 6s. 3d. per cental. And its selling price would be 6s. 11·3d. *plus* 10 per cent, or about 7s. 7·6d. per cental.

MARGIN OF POSSIBLE FLUCTUATIONS

On this basis prices could not fall without a full year's notice below 6s. 3d. per cental (or 3s. 9d. per

National Reserves for Safety and Stabilization

bushel), because at that price the Corporation would always be prepared to buy on delivery. And, so soon as substantial stocks of wheat had been taken into Corporation ownership, prices could not rise (without at least twelve months' notice) above 7s. 7 $\frac{1}{2}$ d. per cental (which is equivalent to about 4s. 7d. a bushel).

Therefore, the Corporation might decide to buy if prices (per bushel) fell to 3s. 9d., and to sell if prices rose to 4s. 7d., and this would tend to stabilize open market dealings at 4s. 2d. (per bushel)—i.e. at the *datum line*. In the light of experience this margin might be decreased (with due notice) to 10 per cent by the Corporation buying at about 3s. 11 $\frac{1}{2}$ d. and selling at about 4s. 4 $\frac{1}{2}$ d., or it might be increased to give a wider margin—say 25 per cent—between 3s. 7 $\frac{3}{4}$ d. and 4s. 8 $\frac{1}{4}$ d.; but this would not seem, at this stage, to be desirable.

EFFECT ON CONSUMERS' PRICES

The effect of wheat prices within a limit of 3s. 9d. to 4s. 7d. a bushel can now be traced to the consumer. About 70 per cent of the weight of wheat is flour and the balance bran, pollard, etc., which has about the same weight-value (for stock feeding) as the wheat of which it is an offal.

Thus, as the cost of the basic raw material could range only over 20 per cent, the price of flour (disregarding processing and other costs and traders' profits) could be stabilized accordingly. That is to say, the raw material cost of flour-making would be something between 0.52d. and 0.64d. per lb.

Establishing Range of Prices

There is about $2\frac{3}{4}$ or say 3 lb. of flour in a 4-lb. loaf of bread, so that the cost of the flour content of this could range only from 1·56d. to 1·92d. or by less than a halfpenny a loaf—disregarding all other cost-factors (in trade, transport, milling, etc.). But, as the cost of a 4-lb. loaf is about 8d., it will be seen that such minor fluctuations would probably never reach the consumer. Rather is it likely that the milling trade would stabilize the price on an average initial cost basis of about 1 $\frac{3}{4}$ d. per 3 lb. of flour requisite to making a 4-lb. loaf.

The foregoing generalized illustration of the Corporation's probable method for the establishing of a *datum line* and for the fixation of its buying and selling prices for wheat, would be applicable in respect of most other rural primary products. But in arriving at a *datum line* and prices for mineral products other factors, too, would have to be considered.

GRADES AND QUALITIES

It is obvious that proper allowances would have to be made by the Corporation, in establishing its buying and selling prices, for different grades of the same product. Take raw wool and raw cotton as examples: the normal prices for fine merino wool bear scant relation to the prices ruling at the same time for crossbred or other sorts of wool; while normal prices for Sea Island cotton, in turn, bear scant relation to those for raw cotton from India or from America. And, within each grade of each product, quality of course operates as a price-making factor.

National Reserves for Safety and Stabilization

So far as established and recognized grades were concerned no difficulty would be encountered. A *datum line* would be established for each, e.g. for merino wool (greasy or scoured), for crossbred wool, etc.; and for "American middling," for Egyptian, for West Indian, and for other raw cottons. The advisory committees concerned would guide the Corporation in these respects; but, on the quality side, it would not be so simple. The buying would not present much difficulty as the Corporation's guaranteed buying price for "fair average quality" in any grade would be well below the *datum line* for that grade so that the Corporation would not be likely to pay more than what the lower qualities within that grade were actually worth; but, if and when it came to selling these low qualities back to the trade *at a standard* price for that grade, the Corporation would probably find that poor qualities would be left (to accumulate) on its hands. This difficulty, which could be encountered in respect of many commodities, might of course be met by selling poor quality reserves in the open market for what they would realize. The Act governing the Corporation's activities would have to include a Proviso to permit of this being done—probably "with the consent of the Minister." There is nothing now to prevent poor quality products coming on to the market at any time and it might be found that the Corporation's guaranteed buying price would attract more than a normal amount of such products.

Establishing Range of Prices

CORPORATION TO RESERVE RIGHT TO REFUSE LOW QUALITY PRODUCTS

Therefore it would obviously be essential that, from the outset, the Corporation should usually buy on an f.a.q. basis and always reserve the right to decline to buy very low quality produce; and it would certainly have to exercise this right occasionally as otherwise it might find itself "landed" with verminous goods which would contaminate other stocks. But the seller of low quality produce would be no worse off than he is at present; and all would know that nothing would be rejected by the Corporation without excellent reasons.

In providing for such situations, one visualizes the Corporation's buying being administered by people as competent as the commercial buyers from whose ranks they should be drawn.

HIGH PRICES MEAN PROSPERITY: OR PROSPERITY MEANS HIGH PRICES?

N.B.—No doubt the Corporation would keep constantly in mind the general economic position of this country (and other countries) during the years in which prices of primary products were at various levels. Broadly speaking, when such prices are high prosperity is general; but, of course, this can be reversed by saying, with equal truth, that when prosperity is general prices of primary products are high. But the outstanding fact is that these two phases (whichever is responsible for the other) march in concert.

National Reserves for Safety and Stabilization

Therefore it would seem reasonable that the Corporation, being able to influence one phase, would certainly do so at least to the extent of directing its policy towards the raising of prices of any product when the existing prices appeared not to give a return to the *efficient* producer which not only covered his costs but gave him a fair margin of profit. In this connection, it might be expected that the representatives of primary producers on each advisory committee would express themselves with force and logic.

A PREVAILING FALLACY

It is a fallacy, most unfortunate in its effects, that producers in any sphere should be required to sell the products of their industry at the lowest possible price consistent with the producers being able to carry on. The real value of any product is not what it cost in energy and/or money or ingenuity to produce but what it is worth to the consumer. And this latter is measurable only by the willingness plus the capacity of the consumer to pay. As our system of economy stands, there is nothing to protect either the producer or the consumer from exploitation either by each other or through the machinations of speculators. The Corporation could remedy this order of affairs, always remembering that the producers in one sphere are the consumers in other spheres.

INFLUENCING WORLD PRICES

It must be pointed out that in some cases Great

Establishing Range of Prices

Britain is normally a purchaser of only a small proportion of world output. This, of itself, indicates that trade in any such commodity plays a relatively small part in our economy and in our strategy; and if this were true of any product it would obviously not be included in the schedule of articles to be dealt with by the Corporation. And the present position would remain unaltered.

But it might happen that 10 per cent of world exportable output of some product would represent an item of considerable importance in our economy and/or strategy; and it may well be asked "how could the buyers of only 10 per cent of a world exportable surplus expect to be able to stabilize the world price of that product?"

The answer is: as matters stand if other countries are now absorbing 90 per cent of such product it is for the very good reason that they need the quantity so represented, and it is reasonable to suppose that they will continue to need the same or a greater volume of such product.

If the Corporation's guaranteed price was higher than normal average prices, it is clear that other countries would have either to pay an equal price or go without, in which latter event embarrassing quantities would be consigned to the United Kingdom. But in the vast majority of cases the Corporation's buying price would be definitely *below* average prices from year to year in the past (eliminating years of acute worldwide depression which no reasonable person would wish taken into account).

National Reserves for Safety and Stabilization

PROPORTIONAL WORLD DISTRIBUTION OF PRODUCTS

Therefore the overwhelming probability is that, on present volume of world production, present proportional distribution would be maintained—with the safety-valve that prices could not fall more than 10 per cent below *datum line* (established for that year on a sane basis and alterable on due notice in the light of developments) without a deflection, of what would then be obvious surpluses, to this country. Now, just as the private trader in Great Britain would be loth to allow raw materials in which he was concerned to pass into Corporation ownership whereby a premium of perhaps 20 per cent would have to be paid to get them out, so would foreign traders be similarly loth to see products (ordinarily available to them at seasons of glut at perhaps a 50 per cent reduction) being shipped to this country. And they, too, would take a proportion of such surplus into reserve; and the likelihood is that such reserves would be in relative proportion in all consuming countries which had the capacity to pay.

GEOGRAPHICAL ADVANTAGES

But it is clear that (transport charges apart) foreign buyers would have to pay the Corporation's buying price if they were to secure ownership. It costs less to ship wool from Australia to Japan than from Australia to Great Britain and Japan's geographical advantage would of course continue as before, but vendors at the Sydney wool sales would certainly not sell to Japanese buyers for a lower figure than the Corporation's buying

Establishing Range of Prices

price (for the appropriate grade of wool), less freight charges to England. But as this price would be below what the Japanese had had to pay in normal years in the past there could be no legitimate grounds for complaint; and there is no reason to suppose that (on this score) Japan's purchases in point of volume would be less than usual.

And this would hold good for most other products if we bear in mind the fact that (gambling apart) purchasers in other countries have bought produce because they needed it; and their need will continue.

WHY GREAT BRITAIN SHOULD TAKE THE INITIATIVE

N.B.—It cannot be too strongly stressed that British peoples are not unique in wanting stabilization of prices. The people of every country in the world are equally anxious for price stabilization. Some nation must take the initiative and no nation (or group of nations) is so admirably equipped for this purpose as is Great Britain on account of:

- (a) the stability of her political institutions;
- (b) her world-acknowledged integrity;
- (c) the immeasurable strength of her financial position;
- (d) the widespread ramifications of her established trade channels; and
- (e) the immense value of her overseas investments.

The foregoing is irrefutable and represents the keystone of my argument.

CHAPTER V

RANGE OF STORABLE PRODUCTS

WHAT SCIENCE CAN ACHIEVE

The application of modern science to the provision of storage facilities could ensure proper air-conditioning as to temperature and humidity to counteract deterioration of such slightly perishable products as grain and, by chemical air-treatment, could virtually eliminate the depreciation which would certainly otherwise result from the ravages of rot and vermin.

PRODUCTS APPARENTLY STORABLE AT LOW COST

On this hypothesis, some if not all of the following primary products (among others) would seem suitable for storage for long periods, with little if any deterioration.

Grain: wheat, maize, barley, oats, and rice.

Pulse: peas and beans.

Nuts and seeds for expressing oil: copra, ground nuts, palm kernels, linseed, cotton seed, soya beans, etc.

Fodder for animals and poultry: bran, pollard, and other offals from the treatment of grain, as well as residual offals from the expression of oil from nuts and seeds; baled lucerne and other hay; molasses, etc.

Oils, fats, waxes, and resins: petroleum and petrol and other minerals, vegetable, animal, or fish oils; fats and waxes, gums, rosin, shellac, etc.

Range of Storable Products

Textile and fibrous raw materials: wool, cotton, hemp, flax, jute, ramie, coir, hair, and fur (for felt).

Crude rubber.

Raw sugar: (and molasses, included also in fodder for animals).

Unmanufactured tobacco.

Certain timbers: pit props, sleepers, logs, and sawn timber of durable types.

Wood pulp: (especially for paper making).

Mineral ores or crudely smelted minerals: iron, copper, lead, zinc, tin, manganese, etc.

Substances requisite to the manufacture of chemicals and fertilizers: (these would include various animal, mineral, and vegetable substances).

EXTENSION TO PERISHABLE COMMODITIES

Subject to canning, cold storage, dehydration or other appropriate treatment, or facilities, the list might be extended to embrace:

Meat stuffs and fish: beef, mutton, and lamb, pork, lard, bacon, and hams, rabbits, and fish.

Milk, butter, and cheese; eggs.

Fruit stuffs and vegetables: in processed (or, if economical, in frozen) form.

Hides: stored wet.

EFFECTS ON STORAGE IN FOOD

The recently issued Report of the Food Investigation Board states: ' . . . comparing the chemical composition of stored foods with that of fresh foods enables the general conclusion to be accepted that relatively little loss of known constituents occurs in foods stored by

National Reserves for Safety and Stabilization

modern methods. . . . Experiments have been carried out on animals in which satisfactory nutrition has been maintained with diets composed solely of stored foods. The available evidence, therefore, suggests that modern methods of storing foods cause little depreciation in their nutritive value; in fact, it may be said that food of good initial quality that has been stored by the best modern methods is likely to be superior in many respects to similar food that, though still technically fresh, is in reality stale.'

STRATEGY AND NATIONAL ECONOMY

The foregoing list of storable products is so comprehensive as to include many products of which it would probably be thought unnecessary to establish reserves either for strategic or for economic reasons; but it is interesting to survey the range of commodities which could be put into reserve if necessary; and the above list is not exhaustive.

From the strategic angle it would be desirable to concentrate on those vitally necessary products (of which there are not large stocks in commercial storage) which took up most shipping space—this so that a minimum number of vessels would have to be convoyed or otherwise protected during possible future wars when any enemy would certainly attempt effectually to blockade this country with, it is to be feared, no small prospect of success.

From an economic point of view it would be desirable to bring within the ambit of the Corporation's opera-

Range of Storable Products

tions all suitable essential products whose prices are subject to fluctuations so embarrassing as to affect the whole system of commerce and industry.

COMMERCIALLY HELD STOCKS

In this connection vast stocks of raw tobacco are always maintained in Great Britain by the big tobacco companies. Sometimes such stocks represent several years' (and never less than one year's) requirements. Similarly, there are nearly always large stocks of crude rubber in commercial hands in Great Britain—almost certainly enough for a year's normal needs. But, whether the best interests of producer and consumer are served thereby is another matter.

THE FIRST ESSENTIALS

It would seem probable however that, at the outset, the Corporation might be satisfied that both the strategic and economic interests of the nation would be well served if it established reserves of the principal grains, sugar, textile, and other industrial raw materials, fuel, oils, animal fodder, fertilizers, and certain mineral substances. But the system could later be extended over a wider field.

TYPE AND DISTRIBUTION OF STORES

The nature of the storage accommodation would necessarily vary according to the type of product to be put into reserve, but one visualizes concrete structures

National Reserves for Safety and Stabilization

for the most part. And for many products these would need to be virtually airtight to permit of air treatment to counteract deterioration and vermin. For other substances, such as mineral ones and crude metals, little more than substantial roofed enclosures would seem necessary. Underground tanks, placed in hillsides, might offer the safest and most economical form of liquid storage, especially for petrol. Pipe-lines could be laid for withdrawal of supplies. The present practice of storing petrol in huge visible tanks which are such excellent targets for bombs is strongly to be deprecated.

These reserve stores would be distributed throughout the United Kingdom with due regard to the location of population and industry and/or transport facilities, and with a proper appreciation of strategic factor; *and with regard also to planned redistribution of population in times of emergency.*

TURNING-OVER STOCKS

For all that science can achieve, some products might inevitably be subject to certain deterioration, and it would therefore be undesirable that such commodities should be kept in store for indefinite periods. This difficulty could be overcome by arranging that a proportion of such goods should pass into consumption from time to time, to be replaced *concurrently* out of fresh products coming into the open market from season to season. (The Act should contain a Proviso to permit of this.)

To this end the Corporation (by its agents) would

Range of Storable Products

enter the open market both as buyer and seller, but the volume of its purchases would be precisely the same as the volume of its sales so that open market fluctuations would not be materially affected.

SUGGESTED PROCEDURE

Supposing the Corporation wanted to turn over part of its wheat stocks—say, 5,000,000 bushels—in any month in which large supplies of new season's wheat was coming on to the market; and let us assume that the open market price was about 4s. 2d. per bushel. The Corporation, operating from day to day, would sell and buy equal quantities. It would probably have to pay a little more for its purchases of new season's wheat than it received for its sales of the "older" wheat out of reserves; and any loss thus sustained would of course have to be borne by the Corporation—i.e. by the Government.

The prime consideration would need to be to ensure that products held in reserve were always maintained in as good a condition as possible. And if the achieving of this involved certain financial loss it would have to be sustained as part of the cost to the body politic of the strategic and economic safety which the reserves would engender and maintain.

RENEWALS ESSENTIAL UNDER ANY SCHEME

The establishment of the proposed Corporation apart, the Board of Trade, if it exercises its powers under the

National Reserves for Safety and Stabilization

Essential Commodities Reserves Act to set up its own reserves, will probably encounter the same difficulty as would confront the Corporation in periodically turning over slightly perishable products.

If the Corporation came into being, no doubt the Board of Trade's powers under the Essential Commodities Reserves Act would be vested in the new body, and this might require the Corporation actually to compete in the open market *in the purchase of reserves for strategic purposes*—for which another Proviso would be necessary; but, excepting for such reasons, the Corporation would keep out of the open market—remaining in the background always ready to buy f.a.q. products offered to it at a prescribed level below *datum line* and always ready to sell the same products at another prescribed level above *datum line*.

CHAPTER VI

POSSIBLE ABNORMAL SUPPLIES

EARLY in 1938 a friendly critic said to me: "Surely there must be some limit to the Corporation's buying. Supposing a phenomenally good season resulted in two or three hundred million cwt. of wheat, surplus to our normal needs, being consigned to Great Britain. Under your scheme the Corporation would have to buy the lot at its guaranteed price for that year. I admit this would be unusual but it might happen with wheat; and indeed it *might* happen with other products as well."

THE WHEAT SURPLUS 1938-39

My answer is: Of course it might happen and, opportunistically enough, at the time of interpolating this section (January 1939), a phenomenal wheat surplus is certain for the wheat year August 1, 1938, to July 31, 1939.

The Institute of International Agriculture (sitting in Rome) has just published a Report in which it is estimated that wheat supplies for export in the current year will aggregate 1,140,000,000 bushels. This, compared with the average world import demand over the past five years of 540,000,000 bushels, indicates a world surplus of 600,000,000 bushels or rather more than one year's world import requirements—apart from the next wheat year's supplies.

National Reserves for Safety and Stabilization

So the hypothesis of my friend has materialized—excepting that there is no Corporation functioning.

Let us now examine what may occur (with no Corporation in being). The bottom falls out of the wheat market which becomes increasingly glutted as more supplies are available. Wheat growers the world over (excepting those protected by Government guarantee in which countries taxation will rise) will be in dire straits—as they were in 1931; they will not be able to pay their bills or to maintain their buying power; the export trade of this and other countries will suffer and unemployment figures must increase, unless there is a compensating expansion of exports financed by other credits, which seems unlikely; taxation will rise, and if there are gluts in other commodities as well (and a glut—and its results—in one commodity has a cumulative effect) the situation will become progressively worse. The last big world slump was heralded by the collapse of the wheat market—and we should now be able to read the writing on the wall!

IF THE CORPORATION FUNCTIONED

On the basis of the figures issued by the International Institute of Agriculture, our Corporation—if it were functioning now—might have found itself faced (between July 1938 and August 1939) with having to finance the purchase and storage of 600,000,000 bushels (320,000,000 cwt.) equal to nearly three and a quarter years' of the United Kingdom's normal imported requirements. And the Corporation's guaranteed purchase price might be

Possible Abnormal Supplies

3s. 9d. per bushel for the current year. Thus, assuming that the whole of the surplus did, in fact, come here, the cost would be £112,500,000, to which would have to be added the outlay on silos.

Of course as soon as the Corporation had been aware that large surplus supplies were indicated, it would immediately have given twelve months' notice of a reduction in its buying price—say to 3s. 6 $\frac{3}{4}$ d. (whereby the new *datum line* would become 5 per cent lower at 3s. 11 $\frac{1}{2}$ d.). But this season's wheat would have to be taken at 3s. 9d. and it would not be liberated (without twelve months' notice) at less than a 20 per cent premium.

Thereafter, however, as soon as the purchase price became 3s. 6 $\frac{3}{4}$ d. (3s. 11 $\frac{1}{2}$ d. less 10 per cent) the Corporation's selling price would automatically drop to 4s. 4 $\frac{1}{2}$ d. (3s. 11 $\frac{1}{2}$ d. plus 10 per cent), and that would be the figure to which prices in the open market might rise thereafter. While the Corporation might announce a greater reduction in its buying price, it is very desirable that the secular tendency to overproduction should be corrected by small annual variations in the *datum line*. In the normal cycle of events, however, bad seasons recur (Canada's immense crops failed in two successive recent years) and there is no one able to say that seasonal factors will not cause as drastic reductions in yields in years to come as they are causing very high yields in the current year.

The low Canadian yields in 1936 and 1937 were primarily responsible for the rise in the 1937-38 average price in Winnipeg to \$1.31 $\frac{1}{2}$, and this no doubt led to increased acreages being sown in the succeeding

National Reserves for Safety and Stabilization

year which was unusually fruitful—the two factors combining to produce a phenomenal yield; and the result is that the average price thus far in Winnipeg for the wheat-year ending July 1939 has fallen by more than half to 64 cents per bushel.

WHAT OF THE FUTURE?

Without any doubt, owing to current low—and threatened lower—prices, there will be a reduction in acreages sown in many parts of the world next season and, if this is accompanied by unfavourable weather conditions in one or more of the great wheat-producing countries—in all of which the climates are unreliable—next year's world harvest may be far below normal.

Therefore, is it likely that all other nations would permit the whole of the current year's wheat surplus to come to Great Britain—even if its physical transfer could be effected?

BENEFITS FROM BUYING-UP SURPLUS WHEAT

I suggest that the strong probability is that no more than half this surplus would come here. But even if the Corporation had to buy £100,000,000 worth (or nearly 90 per cent of it) at 3s. 9d. per bushel, this would be no great strain upon our financial resources. And the fulfilment of its contract by the Corporation would bring the following benefits in its train:

- (a) We should have wheat in national reserve which would represent strategic security far more *certainly*

Possible Abnormal Supplies

valuable than that to be achieved by an equal expenditure on warships which are wasting assets and whose maintenance is a heavy annual charge. (Let us not forget that the Great War lasted over three years during which there were acute shortages of wheat; and it is worth mentioning here that even during the four post-war years—after price fixation was lifted—the annual average price of wheat was over 10s. a bushel—at which price *one year's* imports cost over £90,000,000.)

- (b) We should have earned the well-merited gratitude, not only of wheat growers the world over but of all whose well-being is dependent on their prosperity.
- (c) We should have placed at these people's disposal large sums of money to enable them to increase their purchases of British exports, the selling of which would be helped by the great goodwill we had established; and thereby a much-needed spur would be given to our secondary industry with a consequential reduction in our unemployment figures.
- (d) We should have established the probable price for wheat (or at least have marked a definite range of fluctuations) in the next wheat-year—itsself an ample warning to growers to reduce their acreages in favour of other forms of production; and the Corporation would be in an impregnable position to continue from year to year to demark fluctuation margins for each succeeding wheat-year.

National Reserves for Safety and Stabilization

- (e) We should have safeguarded the consumer against unduly high prices—against anything approaching some of the prices he had to pay even during 1937–38.
- (f) We should have assured to our own farmers ample supplies of an important ingredient in their live-stock-feeding requirements at level prices from year to year.
- (g) We should have provided employment for the idle or semi-idle ships and men of our mercantile marine—at least to the extent of ensuring plenty of cargo for inward voyages—with a probably corresponding increase in outward cargoes;
- (h) Finally we should have achieved a new prestige throughout the world—immeasurable in its economic and political influence and psychological effect.

All this could be achieved by the *investment*, over a period of twelve months of £100,000,000 which could be raised in the City as required with scarcely perceptible effects upon its vast financial ramifications.

WHAT IS THE FOOD DEFENCE DEPARTMENT DOING?

Now let us turn for a moment from what we *might* be doing to what we *are* doing—or leaving undone. The annual average imports of wheat into the United Kingdom for the six years 1932 to 1937, were 103,255,000 cwt. (*vide* Appendix I(a)). In July 1938, as we have seen, the Essential Commodities Reserves Act was passed after an official announcement (much earlier in

Possible Abnormal Supplies

the year) that the Board of Trade had already commenced buying wheat for national reserves.

In these circumstances (with wheat at only about half the price during the last quarter of 1938 compared with 1937) the public may well have expected that the Food Defence Department under the Board of Trade was busily—but discreetly—exercising its powers to buy and put large reserves into stock.

What are the facts? They are referred to briefly in an earlier chapter, but they will bear reiteration at this juncture.

In 1938 our total imports of wheat were lower by over one and a half million cwt. than the average over the preceding six years! The 1938 figure was 101,650,000 cwt. at a cost of £38,618,000 compared with a corresponding cost for wheat imports in 1937 of £49,844,000! And it is not inopportune to mention here that, at the end of 1938, the British Government had not constructed—nor commenced the construction of—one wheat silo;—though it may have financed the construction of privately owned silos.

THREE YEARS' RESERVES OF CERTAIN PRODUCTS

Having discussed the situation arising out of the immense wheat surplus of 1938–39 let us face up to the contingency of the Corporation having to buy and put into reserve the equivalent of *three years' normal supply* not only of wheat but also of maize, sugar, raw wool, raw cotton, and crude rubber! It is extremely unlikely that there would be such large surpluses of all these

National Reserves for Safety and Stabilization

commodities in any one year, but let the remote possibility be faced.

A glance at Appendix I (a), (b), (c), (d) and (e) will show that the annual average values of our net imports of all these products during the past six years have been: wheat £35,000,000, maize £14,000,000, wool £39,000,000, cotton £38,000,000, and raw rubber £8,000,000—a total of £134,000,000. If we assume that the Corporation bought at prices 10 per cent below prices that aggregated three times that sum we should have a capital investment of about £400,000,000. But, as these prices are based partly on slump years, let us take the figure as £450,000,000. This at, say, 5 per cent (which should cover all charges except storage) would mean an annual visible cost of about £22,000,000—or less than 10s. per head of our population.

ONE PENNY INCREASE IN BREAD PRICES COSTS

£10,000,000 A YEAR

During the past ten years, bread has fluctuated in prices per four-lb. loaf from 7d. to 10½d. The average per capita consumption of bread is about 55 four-lb. loaves in the year; so that an increase of 1¼d. a loaf—if maintained for a year—would mean a charge of 5s. 9d. per head of the population. The average consumption of sugar is 110 lb. per capita per annum so that a rise of even a halfpenny a lb. would mean 4s. 7d. per head of the population in a year.

Under Corporation auspices prices of such necessities would soon become stabilized. But my point is

Possible Abnormal Supplies

that even if *three years' reserves* were established of wheat, maize, sugar, raw wool, raw cotton, and raw rubber, the net visible cost to the public would be negligible compared with what people have had to pay owing to upward movements in prices of essential commodities. In the absence of stabilization, we have seen the price of bread at 10½d. which, compared with 7d. and if maintained for a year, would cost the public about £38,000,000!

I have not attempted to estimate the outlay on storage facilities for such enormous reserves as I have visualized, but the per capita charge would be very small.

As the Corporation's Bonds would be backed by real wealth, there would be no *real* necessity to provide for their redemption excepting to keep pace with administrative costs, with depreciation in store values and with deterioration (if any) of stocks; but this is, of course, so unorthodox as to be financial heresy—so I do not press the point.

UNLIMITED GOLD BUYING

When the Bank of England buys gold it does not borrow money to pay for it. The Bank issues money (notes) on the "security" of the gold lodged with (sold to) it. The United Kingdom imports about £80,000,000 worth of gold bullion annually from South Africa alone—much of which finds its way into the Bank of England. Parenthetically it may be mentioned that South Africa, with only 1,500,000 white residents, is Britain's second

National Reserves for Safety and Stabilization

best customer (being second only to India). The Union would doubtless be an equally good customer if her exports to Britain were in the form of maize as she is exporting gold, and the United Kingdom would certainly be better off (in an emergency) as the maize could be processed (or be turned into dairy produce, etc.) to be consumed. In fact, the South Africans, too, would probably be better off because comparatively little capital would have to be introduced from other countries to finance maize-growing; and therefore less money in the form of interest and dividends would leave that Dominion than is the case with gold.

FICTITIOUS "WEALTH"

For all practical purposes gold, of itself, is intrinsically of little value (in the sense that wheat—upon which we can subsist—or wool—which keeps us warm—represents real value). If one were shipwrecked and cast starving upon an island of gold, one would gladly trade this for a dozen bushels of wheat and a few acres of soil. Thus while the value of gold is a fiction, wheat and other consumable products are real wealth.

CITY FINANCE

In financing the Corporation, it is suggested the Government would authorize it to borrow from the public by issuing Bonds guaranteed by the Government as to interest and redemption; and, in effect, the following is what would probably happen:

Possible Abnormal Supplies

The stimulating effect of the scheme should raise profits and incomes generally, whether of private individuals or of public companies, above the level which they would otherwise have attained and so provide a margin of saving available to take up the Bonds. For the rest, they could be financed by the ordinary banks, directly or indirectly. So long as the banks' cash position was normal they would have to dispose of other assets to the extent to which they took up the Loan themselves or made advances to others to do so. But this exchange of assets could not go on indefinitely because the banks would have only their more liquid assets to dispose of, since they would be increasing investments and advances; and they guard their liquidity jealously.

THE BANK OF ENGLAND'S PART

It follows, therefore, that the Bank of England would have to support the ordinary banks in the maintenance of their cash ratio by buying securities itself. But even on the extreme assumption that the ordinary banks had to carry—directly or indirectly—the *whole* of (say) £450,000,000, the Bank of England (assuming it acquired the same security itself) would need to buy no more than £40,000,000, leaving the ordinary banks with a round £400,000,000 and giving them £40,000,000 more cash to support their ratio of about 10 per cent.

In order further to safeguard the liquidity of the Banks, it would be desirable that a certain proportion of the Bonds should be short-dated.

National Reserves for Safety and Stabilization

USING UP REAL SURPLUSES OF GRAIN

TO revert to the possibility of enormous reserves of grain being established, this would not be likely to happen in more than one year on account of the Corporation's buying price being "marked down" (from a year hence) as soon as it was obvious that phenomenal supplies were coming forward. The effects of such "marking down" are dealt with in the next chapter.

If reserves were so great as to preclude their being "turned over" (as suggested in Chapter V) and if the Corporation wished to reduce its stocks, it could always dispose of grain to manufacturers of feeding stuffs at a specially low rate under an agreement whereby the farmers would get the benefit. It could be arranged that ample notice was given to farmers to enable them to increase the numbers of (say) their pigs and poultry in assured anticipation of cheap feeding stuffs being made available for a known period. The United Kingdom's pig and poultry "population" might well be doubled or so increased as to absorb a great part of the grain that was surplus to what the Corporation wished to carry. That the Corporation might sell for such a purpose at a loss would be of small account because primary producers at home and overseas would be kept prosperous with their spending power operating continuously to the great advantage of secondary industry and ancillary trades and services.

RELIEF OF DISTRESS IN OTHER COUNTRIES

There is another aspect. From time to time appeals

Possible Abnormal Supplies

are made to the British public to contribute towards funds for the relief of distress, too often of actual hunger, in other countries. It may be during a famine in India or in China (where a terrible famine is doubtless in prospect if not obtaining at the moment), or it may be in Europe or elsewhere as the result of wars or for some other reason. It is always the generous elements in the community who are contributors to such funds. How much more equitable it would be if the Corporation were functioning and were able to contribute in kind at the expense of the British public as a whole. At time of writing the American Government is arranging to send a quarter of a million bushels of wheat (transport free) for the relief of distress in Spain.

If and when a Corporation functioning in Great Britain had large reserves, let us hope that we would not hesitate to use part of these to relieve distress in any part of the world.

STOCKS OF DURABLE PRODUCTS

No physical difficulty or financial embarrassment would attach to the maintenance of immense stocks of non-perishable raw materials.

LIMITING OUTPUT

However there would always be an alternative to the Corporation's continued unlimited buying. Already, in many primary industries (e.g. in tin, copper and rubber) the producers have semi-voluntary limitation-of-output

National Reserves for Safety and Stabilization

schemes in operation. To this end a quota—theoretically based on maximum output in an agreed year—is allotted to and accepted by producers in each producing country. The International Committee administering a restriction scheme then allocates from time to time a percentage of each country's quota to that country. Thus while the quota might be 100 the percentage of permissible production might be 75—alterable with due notice.

If, at any future time, the Corporation found that its reserves were assuming proportions outside possible future requirements a similar system of restriction of output could be arranged with the producing interests concerned; this, in addition to any production-stemming influence effected by the Corporation's reduction in its buying price.

In common with most people, I am opposed in principle to the application of arbitrary restrictions on production, but one must admit the prior claim of those concerned to apply such measures if the only alternative is ruinous prices.

PERENNIAL INCREMENTS—AND WASTING ASSETS

In this connection, however, I suggest that there should be a line of demarcation in the Corporation's price policy as applied (*a*) to products which are perennial increments of the soil and (*b*) to products which are wasting assets—such as minerals (and timber where the destruction of forests is not balanced by reafforestation). What I mean is that the Corporation would probably

Possible Abnormal Supplies

be more conservative in altering the *datum line* for wasting assets than for the periodical fruits of the soil.

On the one hand the products are more or less perishable, whereas on the other (at least with minerals) they are virtually imperishable. Therefore I suggest that the building up of reserves of wasting assets beyond probable requirements for decades to come could be regarded with complacency if, in fact, the supplies came forward in such quantities above current needs. Future generations, at least, would be grateful for such foresight on the part of their forebears.

CHAPTER VII

THE HOME PRODUCER—TARIFFS AND PREFERENCES

BRITISH FARMERS AND THE PLAN

It has been demonstrated of recent years that British farmers, in the existing disorganized condition of their industry, cannot compete successfully with overseas suppliers of many commodities to the British market. This is (and will probably always remain) true of wheat, and—as matters stand—it is true of beef, mutton and lamb, butter, cheese, and various other products some of which are the subject of Government subsidies and practically all of which are protected, in some measure, by tariffs.

It does not seem likely that much home grown produce would ever find its way into reserve; but encouragement of a greater volume of home production could be maintained or increased (by guaranteed prices, subsidies and so on) without affecting the application of the Corporation's policy; and, contrariwise, the Corporation's operations would not conflict in any way with the interests of the home producer who could always take advantage of the Corporation's price if he chose to do so. And for products (within the ambit of the scheme) which were not the subject of either subsidy or tariff protection, the Corporation would offer the home farmer precisely the same degree of security as was offered his

The Home Producer—Tariffs and Preferences

competitors overseas. This, for example, would be true of wool.

STABILIZED COSTS OF FEEDING STUFFS

But the greatest boon to the British farmer would be that, once reserves of fodder-stuffs had been established, fluctuations in prices of these would be so reduced that the British stock raiser would "know where he was" for the first time since he became dependent upon imported feeding stuffs.

This would be an immeasurable advantage to milk producers and especially to pig breeders and poultry farmers in whose economy the price of bought feeding stuffs (upon which the majority are completely dependent) is the governing factor in their success or failure. If this, their major cost, was stabilized, it would be very much easier for the Government to decide whether anything further, in the way of protection or subsidy was necessary to place (and maintain) these industries on a firm footing.

[BRITISH AGRICULTURAL RECONSTRUCTION—A PARENTHESIS

This is not the place in which to outline what I believe would be an effective policy to make home farming a paying proposition. I have suggested such a policy elsewhere.¹ But it may not be out of place to

¹ *Britons in Partnership*. Published by Lovat Dickson, Ltd. 2s. 6d.

National Reserves for Safety and Stabilization

mention that my proposals for the reconstruction of British agriculture have their basis on the provision of capital (by another specially established corporation to be financed by the issue of Government guaranteed bonds) to our most important industry on the most favourable possible terms (say at $3\frac{1}{2}$ per cent) and that advances on such terms should be made available:

- (a) for the redemption (or rather conversion) of existing mortgages carrying higher rates of interest;
- (b) for soil improvement to enable every acre to be brought into full productivity;
- (c) for improved stock and implements;
- (d) for seed and fertilizers and
- (e) for improved housing and farm buildings.

But the most important feature of my proposal is that *the security for advances should be based on the full productive value of the improved and properly stocked and equipped property* rather than on 66 per cent of what it would realize (in its unimproved state) in the open market, which is the present basis for advances. Thus farmers (and agricultural landlords) could have more capital placed at their disposal (subject to rigid supervision in its expenditure) at an annual charge so much lower than ordinary rates that it would probably not exceed the amount of present interest commitments.

This would enable all farms to become fully productive and would greatly increase and cheapen home production.]

The Home Producer—Tariffs and Preferences

RANGE OF APPLICATION OF THE PLAN

In its application the Price Stabilization Corporation Plan *might* be limited to primary products from within the British Commonwealth and Empire, but such a policy would be possible only if very high tariffs, on a sliding scale, were imposed on foreign commodities which would otherwise often be sold below the Corporation's buying price (thus rendering abortive its efforts to stabilize prices in Great Britain).

Of course such a situation could be met by a sliding scale of tariffs which would keep the cost of the foreign product at least up to the precise level of the Corporation's guaranteed buying price (then applicable only to Empire products). But this would be extremely difficult to administer.

In any event it would not seem to be politically desirable to introduce such a state of affairs. Therefore, I suggest the Corporation's guaranteed buying price should apply to produce from all sources.

TARIFFS AND PREFERENCES

The United Kingdom's Tariff and Imperial Preference policy is based upon imports of the current needs of the community plus reserves ordinarily maintained as commercial stocks. It could not properly have application to goods taken into national reserve *so long as they were maintained in reserve*. Therefore it is obvious that, so far as dutiable goods were affected, the Corporation's stores should be Bonded stores with duties payable only when such goods were withdrawn by commercial buyers;

National Reserves for Safety and Stabilization

and then there should be some form of rebate payable to the original sellers who would ordinarily enjoy a Preference.

As I see it, this is how it might work out. Let us assume commodity "X" to be subject to a full duty of 50 per cent and a preferential duty (on an Empire product) of 10 per cent; that the *datum line* was 100s. per unit and that the duty was levied on that basis. (That duties are usually levied on prices in country of origin does not affect the illustration.)

Suppose the Corporation's buying price was 90s. This would be paid to all sellers—irrespective of duty (ultimately) payable. In due course, if and when the product was bought out of Corporation (Bonded) store the buyer would be required to pay the full duty whether the product was of Empire or foreign origin; that is to say, he would have to pay to the Corporation 110s. per unit and to H.M. Customs 50s. per unit. But 50s. duty would be an overcharge of 40s. per unit on the Empire product; therefore 40 per cent of whatever duty was paid (on an Empire product in this illustration) would be remitted (in theory) to the person (or Company) who had originally sold his product into Corporation Bonded store. In practice this would be difficult if not impossible because the actual product would generally have lost its identity; or rather the identity of the Empire seller would generally have been lost. Therefore such rebates might have to be pooled and placed at the disposal of the Dominion or Colonial producing and exporting association concerned. We need not discuss subsequent pro-

The Home Producer—Tariffs and Preferences

cedure; because such associations would soon hammer out some means of distributing a bonus of that type.

The principle of Imperial Preference would, however, have been maintained. If the goods were shipped out of Bond by foreign buyers the matter of payment of duties preferential or otherwise would not arise.

It is quite possible that Empire sellers in the ordinary course of business may share with British buyers some of the cash value of their Preferences. They would of course not be able to do this under the arrangement visualized above. It is, however, to be remembered that the Corporation would have its *datum line* adjusted to different grades of the same product. This is said in appreciation of the fact that sometimes a product from Empire sources may be of a lower grade than a similar foreign product; whereas, sometimes the reverse is the case.

It will now be appreciated that existing duties and Imperial Preferences could be maintained, increased or reduced without in any way affecting the functioning of the Corporation.

CHAPTER VIII

THE PLAN IN OPERATION

THE OLDEST INDUSTRY

Rural development—the oldest of the industries—is not an obscure science. The productivity of the land under known conditions is no longer a matter of mere conjecture. Skilled experience is able to ascertain—almost to measure—that in advance over a cycle of average seasons. The products of the soil are seldom luxuries; they are usually necessities, and we are aware or can ascertain (again in advance) what the approximate requirements of the whole community are likely to be in essential commodities. But our measuring of anticipated requirements would be far nearer to being accurate if we knew the future range of selling prices.

The agriculturist, the stock-raiser, the planter and the horticulturalist know their jobs. They have constantly to wrestle with factors which militate against uniform annual yields, but these are in a great measure inevitable. What is not inevitable is that primary producers should have to contend, also, against such morale-breaking price fluctuations as they have experienced during recent years.

THE FARMERS' INTERNAL ECONOMY

The Corporation's Plan would give farmers the world over the first sense of market security they had ever

The Plan in Operation

known. Let us again take wheat production as an example and carry our minds to Canada or Australia—or indeed to the Argentine or to any continental country.

The wheat grower must plan his production two years ahead. The cultivation of his land for, and the sowing and harvesting of, his next season's crop is only one stage in his productive activity. He must also prepare ground, by fallowing and fertilizing in that year, for a proportion of the next season's sowing. He must not go on cropping the same fields year after year.

Thus, at the present time, though he has to lay out much of his energy and money two years in advance, he has scant idea what the resultant wheat is going to realize when he sells it.

DOMINION WHEAT YIELDS AND PRICES

Over the two years 1936 and 1937 the average yield per acre has been 12·3 bushels in Australia and only 7·85 bushels in Canada. But, because the yields per acre in Canada in 1936 and 1937 were abnormally low, let us take a ten-year average—when the figures become about 11½ bushels for Australia and 12½ bushels for Canada. Out of his yield the farmer must retain at least one bushel per acre for seed wheat in the ensuing season so he has one bushel less than his yield per acre to market.

If the production costs amount to 2s. per bushel and the transport, insurance and selling charges are 1s., at 3s. the grower has no profit though he can pay his way; whereas at 4s. he makes about 10s. 6d. an acre in Aus-

National Reserves for Safety and Stabilization

tralia and perhaps 11s. 6d. in Canada. (In the light soils of Australia the same man-power and implements can cultivate a larger acreage than in Canada.)

“DOLLAR WHEAT”

Such returns per acre may look ridiculous in the eyes of English farmers whose average yield usually exceeds 30 bushels per acre, but it is an old adage that “when wheat is a dollar all’s well in the world.” And it will be recollected that the suggested *datum line* for wheat prices might be 4s. 2d. a bushel, and that in such event the Corporation might buy if prices fell (10 per cent) to 3s. 9d. and sell if prices rose (10 per cent) to 4s. 7d.

My figures are only illustrative. They are set down merely to show how my Plan would appear in the estimation not only of wheat growers but of all other rural producers.

It should be borne in mind that since the saying about dollar wheat was first coined two factors have caused wheat production costs to be substantially lowered. The first is that by the aid of modern agricultural and harvesting implements one man can cultivate and harvest a far greater area than was possible under methods in vogue at the beginning of this century. The second factor is that the production of new types of wheat and of fertilizers have increased the yields per acre. So it is that a price substantially below a dollar a bushel might to-day mean a good return to the efficient wheat grower in some countries.

The Plan in Operation

STIMULATING OR RETARDING PRODUCTION

It is very important that the elasticity of the Corporation's financial policy should be kept in mind. It might happen that an assurance of a minimum guaranteed price of say 3s. 9d. per bushel c.i.f. for wheat would cause larger acreages than usual to be planted, but the Corporation would maintain close contact with the existing International Wheat Committee, and it would have early warning of what to expect. We must remember that it is only out of commodities which are surplus to current requirements that reserves can be built up, if normal current prices are not to rise. Ordinarily, in the case of wheat, the Corporation would be glad to take in any likely surplus at the end of its first year; but it is impossible now to foresee what will happen with no established means of clearing markets of the present season's gluts.

FORWARD MANIPULATION OF GUARANTEES

As we have seen, if the Corporation wished to reduce the volume of wheat coming forward in the second year it would announce a reduction in its price to perhaps 3s. 6d. (with a corresponding adjustment in its selling price). Such notice could be given at any time, provided it did not take effect during the twelve months immediately following. This, at that later stage, would not, of course, prevent the growers from getting more than 3s. 6d. in the open market, as was emphasized in Chapter VI. *Open market prices would depend on the amount of wheat offering, and not on accumulations in Corporation ownership.*

National Reserves for Safety and Stabilization

Conversely, if the Corporation learnt that its guaranteed minimum price in the first year had caused an undesirable reduction in acreages sown it could promptly announce an increase—from twelve months hence—to such a figure as would stimulate further planting for marketing in the year in which the increase took effect.

ALTERATION OF THE DATUM LINE

This in effect would mean an alteration of the *datum line*. If the Corporation's buying price for wheat was dropped to 3s. 6d. per bushel and the margin between its buying and selling prices was to be maintained to 20 per cent, the new *datum line* would become 3s. 10·6d; and the new selling price would become 4s. 3·3d. per bushel. Alternatively (on the same basis), if the Corporation's buying price was raised to 4s., the new *datum line* would become 4s. 5·3d. (of which 4s. is 90 per cent), and the new selling price would become 4s. 10·6d. But it is to be re-emphasized that no alteration could be made without (say) at least twelve months' notice.

By such means the Corporation could either retard or stimulate production with a view to relating approximate supply to approximate demand, while establishing and maintaining adequate reserves.

Applying this principle to some other forms of production it might be necessary to have prices guaranteed for longer periods than one year.

NECESSITY FOR CAUTION

The Corporation would have to exercise great caution

The Plan in Operation

in using its influence to depress prices as this would be a double-edged weapon. With so great a proportion of the peoples of the world living in conditions of economic depression and disruption—due to wars, to heavy armament expenditure, to political upheavals and uncertainty, and to trade barriers in one form or another, no one can say with well-founded confidence that—*offsetting bad seasons against good*—any primary product (even wheat) is now being produced from year to year in quantities surplus to real human needs.

Nevertheless it does appear that the long-range trend is against the single-track producers of certain products; and it may well be that the amount of capital and number of persons engaged in some branches of production are (or will prove to be) excessive. This certainly seems likely to be true of wheat and other cereals (*inter alia*) in so far as sales are dependent on human consumption after such a simple processing as milling.

Something like 130,000,000 cwt. of wheat per annum means saturation point in the United Kingdom where, generally speaking, everyone has as much wheaten bread as he can eat. Any improvement in the general standard of living in this country would tend (because there is a limit to the elasticity of the human stomach) slightly to decrease the volume of bread eaten—in favour of greater consumption of meat stuffs, dairy produce, and fruit stuffs.

CONTINENTAL BREAD SHORTAGES

On the other hand there are widespread shortages of wheat flour in certain continental countries where vast

National Reserves for Safety and Stabilization

numbers of people actually hunger for what Europeans regard as their first and vital food—good wheaten bread.¹ Yet the International Wheat Committee is at its wits end to know what to do about the current wheat surplus.

LARGE-SCALE PRODUCTION RELATED TO CONSUMPTION

I have already referred to the use of labour-saving equipment in agriculture, but actual figures will serve better to illustrate my theme. In the light soils of Australia one man can cultivate and harvest 300 acres (and upwards) a year to yield an average of 3,000 bushels for export. That means flour for 42,000 loaves (of 4 lb. each containing 3 lb. of flour) and a year's supply of bread for over 700 persons. I do not know what the equivalent one-man-power-acreage could be in England (in districts where the same labour-saving devices could be used) but, if it were 150 acres, that area of the better soil of this country should produce 4,500 bushels—sufficient to make a year's bread for over a thousand people!

Many similar illustrations could be given in the fields of primary (and secondary) production; but one will suffice. Every new labour-saving device, each improvement in the science of soil fertilizing, every economic extension of artificial heating and of irrigation increases the output per man-power. The figures in the foregoing paragraph take no account of ancillary workers (the

¹ In some countries this may be due to their Government's feverish activity in building up strategic reserves of wheat.

The Plan in Operation

makers of implements, fertilizers, etc.), but such people are not primary producers in the sense we are visualizing.

BALANCED GENERAL PRODUCTION—A DISTANT GOAL

The good economy of rural (or other) production is not to be gauged by the number of persons employed but upon the quality-output per man-year engaged—with people working reasonable hours, under decent conditions and for good wages or wage equivalents.

It is not my purpose to attempt to show *how* a balanced production could be achieved but rather to suggest the preliminary steps to be taken before this could be attempted with much prospect of success. It is a *sine qua non* that there should be a series of buffers to absorb the momentum of haphazard overproduction, possibly only temporary and due to seasonal factors (and tending to be reactionary), where it is demonstrated to exist; and there must be safety valves whereby real surplus enterprise in one field can be directed into another.

We all hope that (with the progress of time taken by the forelock) there will be a general uplift in the standards of living in this country *and elsewhere*. And that would make adjustments, at least in primary production, easier.

STANDARDS OF LIVING—ON INCOMES

A family with an income of £500 a year (if the income is well managed) can live virtually as well—so far as

National Reserves for Safety and Stabilization

food is concerned—as one with £1,000 a year. To be sure the latter family may pay more for out-of-season products, or higher prices because it lives in a more “expensive locality”; but, in essentials, there is little difference. The people with £500 a year are able to afford ample supplies of meat, butter, eggs, fruit, and vegetables; and if they suddenly become possessed of £5,000 a year, very little (if any) more could be consumed (by the members of that family themselves) of such foods.

STANDARDS OF LIVING—ON WAGES

But the same argument would not apply to a family living on 50s. a week. If the breadwinner's wage went up to 60s. (and prices remained stable) the probability is that the greater part of the extra 10s. would be spent (not perhaps on *more* food but) on meat and other animal products in place of cheaper food, such as potatoes, porridge and (perhaps stale) bread. (Stale bread can be bought at a discount.) This is probably true in some degree of all urban families living below the £3 to £4 a week mark; and there is a long row to be hoed before the minimum wage is £3—still longer before it is £4 a week.

Speaking at a public sitting of the National Tribunal for Railway Staff at the Ministry of Labour in January 1939 ‘Mr. J. Marchbank (N.U.R.) said that the approximate number of (railway) employees in receipt of the basic rates *below* 50s. a week was 120,000 (about 25 per cent of the total members of that Union). Mr. Marchbank

The Plan in Operation

said he had received some very human documents. One was from a porter-guard whose pay was 46s. 6d. a week. There were four young children. In his household budget this man quoted meat at 3s. A week-end joint at 1s. 6d. had to last until Wednesday. Friday and Saturday were meatless days. Bacon, butter, cheese, jam, and syrup were rarely seen excepting in shop windows. In six weekly household budgets Mr. Marchbank presented the amount available for food varied from 2s. 6d. to 3s. 6d. per day per family. Fresh fruit was regarded as a luxury and did not appear in any of the statements.' (*The Times*, January 25, 1939.)

A BENEFICENT TREND

The functioning of the Corporation would start a continuous, beneficent trend of events. (I deliberately eschew the use of the word "cycle.") Security would come to the primary producer, for a known period, and to his employees. His and their purchasing power would be maintained and (in proportion to the value of the goods purchased for Corporation reserves) would be increased and (as we shall see) this increase could be maintained. That would lead to trade expansion and more employment in secondary industry, in the distributive trades and throughout all the ramifications of society. It is now widely appreciated that high wages bring benefit not only to the wage earners but to all who cater for and serve them (and who does not—directly or indirectly?). And good intentions in the direction of real wage increases could (and would have

National Reserves for Safety and Stabilization

to be) implemented by stages. Thereby, the extent and nature of consumer-demand would alter towards more expensive sorts of food and for more-processed food; as well as for more (and for more-elaborately-processed) manufactures.

In these circumstances the producer of wealth in its crude form (with security of outlook in the interim) would have time during which his (almost normal) income would continue, in which to adjust his types of primary production to the new consumer demand. I say "almost normal" because, though the Corporation's buying price was 10 per cent below *datum line* (assumed normal price) the producer disposing of his wheat to the Corporation would not have to incur certain of the ordinary selling charges. The period during which he would have this breathing space would be the twelve months before the new *datum line* (and buying price) became operative at a figure announced twelve months in advance.

Supposing it became obvious (as it may well do) that too much wheat was being produced in the world. It would not follow that a proportion of wheat growers would be thrown out of *business* (and then employees out of jobs). Land that will grow wheat will produce meat in various forms, poultry, eggs, dairy produce and/or fruit and vegetables—the present consumption of all of which is far below what it should be among a majority of people, both from the health angle and because they are denied the sheer pleasure of eating such products.

The Plan in Operation

ADJUSTING PRODUCTION TO ALTERED CONSUMPTION

The wheat grower (probably without any compulsion but on the well-founded advice of the International Wheat Committee and of his own Government) would divert a proper proportion of his activities to other forms of production. Writing with considerable experience of production from the soil (of all cereals, of all live stock, and of many types of fruit and vine growing) I would have little patience with the critic who averred that the average farmer is not sufficiently enterprising and intelligent to undertake new forms of production for which his soil and climate are suitable. The young men in farming to-day have little of the conservatism of their fathers, and in nearly every country there are Departments of Agriculture whose experts are available to give free advice and supervision to any farmer who wishes to take up new forms of production. And farmers the world over, are realizing that to concentrate on single track production is to court disaster.

MALNUTRITION

It is not too much to claim that at least half the urban dwellers of the British Isles (and probably of Europe) if they could afford to do so would increase their buying of such alternative foods as I have mentioned above to a value double or treble the value of their reduced buying of the coarser and (in the absence of a balanced diet) less nutritious foods which had hitherto formed so large a part of their sustenance. And, in these circum-

National Reserves for Safety and Stabilization

stances, they would be spending much more than they had done in the past on farm products.

FARMERS' INCREASED TURNOVER

This may be better expressed in illustrative figures. If we assume that 5,000,000 families in the British Isles were put into a position to reduce their expenditure on coarse foods to the extent of 2s. a week and to increase their purchases of other types of food by 4s. to 6s. a week, this would mean a net increase in the purchase of farm products of 2s. to 4s. a week or by from £26,000,000 to £52,000,000 a year.

It would be for the rural primary producer the world over to study and cater for a share of that altered and increased demand; and by his so doing the gross flow of money into the rural primary producing industry would probably be greater than ever before—excepting during the Great War. Furthermore, such money would quickly flow back from the farmers who are usually free spenders; and velocity of money circulation is a very reliable index of confidence and prosperity.

It so happens that good ethics and sound economy march hand in hand. In this modern world of interdependence no one is any "better off" because other people are "worse off." We do not want any reduction in living standards among any "class" so much as a "levelling upwards" in that vast section of the community which lives below par—"par" being at least an amplitude of food, clothing, shelter and amenities, and of opportunities for recreation and culture. Mere wealth

The Plan in Operation

is most definitely not the arbiter of social distinctions. But wealth brings in its train opportunities to acquire that culture which is the real social criterion.

A POSSIBLE RESULT FROM REDUCED PRICES

I have said that the power to influence reduction in prices exercisable by the Corporation would have to be used with great caution—remarking that it was a double-edged weapon. In so saying I bore in mind that a reduction in prices was a fickle boon as it means reduced spending power among the primaries. But, on reflection, one might have said it was a triple-edged weapon, because it is remotely possible that some farmers with very large areas and considerable capital at their disposal might *increase* their acreages of (say) wheat when advised of a forthcoming price reduction, so that by increasing their output they could maintain their income, but any such counteraction would be so limited, for a variety of reasons, that I think it could be disregarded. But it is a contingency which would have to be closely “watched for.”

BAD SEASONS

It must be admitted that as matters stand when the farmer has a bad season and poor yields he generally has the consolation of seeing prices rise—but not always. Prices may rise in the local market under such auspices, but it does not follow that world prices rise—because, although there may have been a poor season in say Canada, the crops in the Argentine and Australia might have been unusually heavy.

National Reserves for Safety and Stabilization

In any event, once the Corporation was functioning effectively, any temporary boon in the way of possible high world prices following widespread bad seasons would be denied the producer; but the offsetting advantages should more than compensate him. Furthermore, it should be practical for farmers to effect some form of insurance against absence of profits in bad seasons. They would be assured of satisfactory returns in normal seasons, and a premium to cover the difference between profit and loss in occasional bad seasons should not be very costly when insurance companies know what the minimum price for their clients' products would be.

Farmers are prone nowadays to look more and more to their Governments to tide them over difficult periods. Given the security which the Corporation's functioning would offer, they should be able to make ends meet without assistance from the Public Exchequer. In saying this I refer particularly to Dominion farmers. The case of the Home farmer is different owing chiefly to his limited acreage and high priced land; though he has the advantage (denied to oversea competitors) of having an unlimited market "at his gate."

SUGGESTED SPECIAL PROVISIO

Nevertheless, it must be admitted that some set of unfortunate circumstances might arise when one or more sections of primary producers (in one or more countries) were the victims of very bad seasons for which no ordinary system of *local* insurance could provide compensation. Therefore it would perhaps be desirable for

The Plan in Operation

the Act governing the Corporation to contain a Proviso whereby higher than guaranteed minimum prices might at any time be paid in very exceptional circumstances; this in the interests not only of the "afflicted" producers but also in the interests of those whose prosperity was dependent on the maintenance of the buying power of those same producers.

PRIMARY PRODUCERS MUTUAL INSURANCE

Alternatively (or in addition) the Corporation might itself establish an insurance fund designed to cover such contingencies—the premiums taking the form of a fractional percentage levy (say $\frac{1}{2}$ or $\frac{3}{4}$ per cent) on all payments out of Corporation funds for products taken into reserve.

In writing this I have in mind the bad seasons experienced in Canada in 1936 and 1937; and, more recently (at the beginning of 1939) the terrible heat-wave and bush-fire destruction which occurred in South-Eastern Australia. Something equally unfortunate might happen at any time in these countries, or in the Argentine or elsewhere. The result is that the purchasing power of not only the producers concerned but of all the people in an affected country goes down and the absorbing power of the local importing markets decreases. Hence secondary industry in Great Britain and elsewhere feels the ill effects and, to the same extent, the buying power of the industrial community declines which causes repercussions from which producers of other primary products suffer. Therefore it would seem that it would be to the

National Reserves for Safety and Stabilization

great advantage of primary producers (the world over) that they should contribute (out of payments made to them by the Corporation) to a mutually protective insurance scheme.

SAFEGUARDING OF BUYERS' INTERESTS DEFERRED

The primary producer would certainly be the first to benefit from the Corporation's activities. He would be assured of at least the guaranteed minimum price from the outset; and until reserves were at its disposal the Corporation could do nothing to prevent prices rising to any height. But this would only happen in the event of supplies being short of current requirements and, *whenever* this is the case, prices rise to whatever figure the buyer is prepared to pay. But once there had been a surplus in any commodity and reserves had been established by the Corporation, open market prices could not thereafter rise above the Corporation's guaranteed selling price; and at this stage, the wholesale buyer—the processor of foodstuffs and the manufacturer from raw materials—would benefit from this aspect of the plan.

PRIMARY PRODUCERS' SPENDING POWER

I say "this aspect of the plan" advisedly because secondary industry would already have benefited from the maintenance of the spending power of primary producers. It is important to remember that the spending power of the primary producer (like that of the manufacturer) is his gross income. In the case of a salaried

The Plan in Operation

man his remuneration (less tax) is his *net and gross spending* power. In contrast *the producer may have to exercise a spending power of £500 to net £50.*

But as soon as manufacturers knew for certain what the maximum and minimum costs of their raw materials would be in future, an unprecedented element of stability would enter into the very bases of their enterprises.

MANUFACTURERS' PRIME COSTS

I am not privileged to know how any sort of stability can be maintained in manufacturers' selling prices with the costs of their raw materials fluctuating as they do; but, if I were a manufacturer, I would play for safety by keeping my selling prices at a uniformly highish level so as to make sure that what I gained on the roundabout of low costs of raw materials I should not lose on the merry-go-round of high costs of raw materials. But I should prefer to know within as narrow limits as possible what my raw materials would cost. And it might well happen that I could then reduce my selling prices for a bigger turnover.

I do not forget that I have just discounted the practicability of this same action by the farmer, but the situations are not truly analogous.

The stabilization of prices *ex* the manufacturer would in turn have a steadying influence on ancillary industries. Thus steady prices for raw wool and cotton would mean steady prices for piece goods of these textiles and the enterprises making up piece goods into clothing, etc., would be able to "cost" on a firmer basis than ever before.

CHAPTER IX

SPECULATION LIMITED—EXCHANGE EQUALIZATION FUND

THE SPECULATOR IN COMMODITIES

The Corporation plan in full operation would eliminate the harmful speculator in commodity prices (of produce coming within the range of the scheme). Although speculators of this type may not be numerically a strong body, what they lack in numbers they make good in financial influence. For the most part they thrive, and the very measure of their thriving is the measure to which the producer and/or consumer is penalized. But as I have said, they are a strong body, and they would be certain to resist the application of this plan.

LEGITIMATE SPECULATION

In using the word "speculator" in the above sense I am certainly not referring to the legitimate investor who puts his money into productive enterprise or who invests in any of the normal ramifications of trade.

Nor have I in mind the speculator in the genuine role of financier who—in the absence of a better system—has become almost indispensable in connection with trade in certain products and whose financial strength enables him to act as a sort of shock absorber or buffer between the producing interests and the first consumers.

Speculation Limited—Exchange Equalization

There are, of course, many old established concerns which devote their whole enterprise and resources to the requirements of one particular trade. They possess a unique knowledge of the commodity concerned and they render real service. The volume of turnover handled by such firms would probably enable them to find ample and remunerative scope within the margin of fluctuations under the Corporation scheme. If their profits were limited under the new auspices their possible losses would be kept within corresponding limits.

HARMFUL SPECULATION

The harmful speculation referred to above, therefore, is that resulting from the activities of the outright gambler who, without being concerned in the least in production, transport, processing, manufacture or distribution, or with the business of financing producer or consumer, buys and sells huge quantities of raw products on paper—without ever seeing the actual commodities, either himself or his employees. I am not referring either to the brokers or dealers who act on behalf of the producer-seller or for the first-consuming-buyer. I have in mind only the “strangers” to all legitimate ownership for-the-time-being of any commodity.

SPECULATORS AS FINANCIERS

It must be conceded that the money of even the harmful speculator must be welcome to the vendor or else he would not sell. It can always be urged that the

National Reserves for Safety and Stabilization

vendor pleases himself in selling but if this is traced back to the original producer it will be found that he has already been a long time "out of his money" and that he cannot afford to wait any longer. He is therefore glad enough to take a lower *cash* price than the product may ultimately realize in the open market and so the product changes hands until it gets into the ownership of the speculator whose financial position enables him to "hold on" and wait for a rise. But the fact remains that if it usually pays the financially strong speculator to "hold" for the requisite weeks (or months) it would be equally advantageous for the producer (or his agent) to do so. However, while the latter cannot afford either the wait or the risk, the strong speculator—especially by combining with other speculators—can and does do so; and generally to his advantage.

In this connection I frankly admit that if I had a few hundred pounds available, and some knowledgeable friend "put me on" to what promised to be a good "deal" of this type, I should not hesitate to take advantage of the situation; but that is not to say that a system of "trading" that gives free scope for this type of speculation is sound. Let us suppose that by "buying" £500 of some raw product and "holding" it for a month I got back £600; while my intervention had served no really useful purpose whatever (I probably would not know where the product was or what its real value might be) it would have cost either the producer or the consumer £100. If, on the other hand—as is much more likely in my case—I got back only £400, either the

Speculation Limited—Exchange Equalization

producer or the consumer (or both) would benefit. But though mere speculators (especially amateurs) are sometimes "caught," the majority contrive to make handsome profits, year in and out. And as the Treasury has a peculiar interest in such profits, this type of speculator is perhaps not regarded with an unfriendly eye in Whitehall.

LIMITED SCOPE FOR GAMBLING

But with the range of price fluctuations (of various products) limited to (say) 20 per cent, there would be little scope for mere gambling; though the business of the regular broker and dealer would not be seriously affected. One thing is certain, so soon as the Corporation had substantial reserves of any commodity, there would be no possibility of effective "cornering" of that product in future.

PRODUCERS AS THEIR OWN FINANCIERS

With the Corporation functioning, the producer would certainly not sell in the market for less than the Corporation's buying price. He would have the right to hire space in the Corporation's stores, and he could always arrange for cash from his bank, up to something near that figure, if he thought that by holding on (and paying storage costs!) he would get a higher price than that offering in the open market. This means that the producer would be put in a position to finance his own speculation. But he could never profit thereby (after reserves had been established by the Corporation) to

National Reserves for Safety and Stabilization

more than the extent of the margin of possible open market fluctuations.

Without doubt the banks would see to it that their other customers—the buyers—were not held to ransom. In order to force products (being held for a rise on the strength of bank advances) on to the market, the banks could call in their advances in the certainty that the borrowers would be able to repay these in full—because such loans had been below the Corporation's guaranteed price which is the minimum the vendor would receive.

GAMBLING IN THE BUSINESS WORLD

A friend to whom I read the matter (in manuscript) in the foregoing part of this chapter adopted a most pessimistic attitude, 'What you have said is logically sound,' he remarked, 'but you clearly have no adequate idea of the importance of this form of gambling to the business world. It is meat and drink to them—meat and drink to the people who, by their financial influence, virtually run this country. You are right, of course, but the system in vogue will prevail for a very long time. In a more enlightened age such a plan as you advocate will become practical—but we won't live to see it.'

Maybe my friend is correct, but if so it is a damning indictment. And I believe he is wrong. Very few people profit by trade depression and the sufferers are legion. A system which would stabilize the greater part of the base of the economic structure would impart strength to the whole edifice and would go far towards giving trade depressions their quietus.

Speculation Limited—Exchange Equalization

Speculators are only partly responsible for fluctuating prices and it is purely incidental that price stabilization would eliminate harmful elements of this type. They would find plenty of scope for gambling in other spheres—they would merely (and incidently) be removed from where they could do most damage.

THE EXCHANGE EQUALIZATION FUND AND THE CORPORATION

The analogy between the Corporation's functions and those of the Exchange Equalization Fund will have been apparent, from the outset, to all who are familiar with the working of the latter institution.

The actual administration of the Exchange Equalization Fund is rather an intricate business upon which we need not enter here but a brief statement of the *raison d'être* of the establishment and operation of this Fund may help to illustrate the analogy.

MONEY AS A COMMODITY

British and foreign moneys are just as much the subject of trade (and speculation) as are tangible forms of produce.

If I wish to buy a car in America, my £'s sterling are no direct use to the American seller and either I must first buy American dollars (with my £'s) or, if I pay in £'s, the American who sells me his car must then sell (or exchange) his £'s for dollars. Such monetary transactions are part and parcel of all overseas trading, though the money deals are usually in terms of credit

National Reserves for Safety and Stabilization

and they largely cancel each other. On a perfect trade balance there would of course be a perfect cancelling out of monetary balances. But this never happens, and consequently there is a vast turnover in the foreign exchange market.

EXTRANEOUS CAUSES FOR CURRENCY MOVEMENTS

But there are other factors than trade which cause a buying or a selling of the currencies of this and other countries. Political upheavals, revolutions, wars, and rumours of wars in foreign countries inevitably cause foreign capitalists concerned to wish to change (say) French francs (or Italian lire or German marks) into (say) British £'s (or American dollars). Thus, there may be such abnormal demands for £'s as to cause their price in terms of (say) francs to rise; that is, more francs have to be paid for £1 than otherwise. This means that the trader in France who wishes to buy *goods* in Britain has to pay more francs for £'s (to pay for such goods) than otherwise; and that hampers our export trade.

MONEY'S REAL FUNCTIONS DISTORTED

It is obvious, therefore, that with so many wars and rumours of wars in the world, foreign exchange dealings of recent years have assumed an importance out of all proportion to the real purpose of currency and credit which evolved to facilitate *exchange of commodities* rather than of wealth tokens. Hence some means has had to be devised to keep the £ reasonably stabilized

Speculation Limited—Exchange Equalization

in terms of all foreign currencies; and to that end the Exchange Equalization Fund was established.

CONTROL OF "MONEY PRICES"

If there is a surplus of (say) francs in London it means that there is a reduction in the number of £'s (which have been paid for these francs). So the Exchange Equalization Fund buys up the surplus francs and replaces them in the British money market with £'s—so as to maintain a reasonably constant volume of British money—or its equivalent in credit—in circulation. The Exchange Fund can either hold these francs, for the time being, or it can sell them to the Bank of France in exchange for gold.

If, on the other hand, the excess demand in London is for francs, and we read "Sharp Fall in the £," the process is reversed and the imprisoned francs (or other currency) are "liberated" from the Exchange Equalization Fund in exchange for £'s which, being withdrawn from the market in large sums, promptly recover their exchange value.

The Treasury is the arbiter as to the price at which it buys or sells foreign currency. In effect, it buys when the exchange rate of the £ reaches a (high) level which the Exchange Fund regards as undesirable—that is when foreign currency is low priced; and it sells if the Exchange rate of the £ reaches a (low) level which the Exchange Fund considers undesirable; that is when foreign currency is high priced. And thereby the margin of possible fluctuations in the value of the £ sterling is kept within

National Reserves for Safety and Stabilization

such limits as the Treasury decides as being desirable. But it does not attempt to peg the £ to any precise value in terms of any other currency.

The proposed Price Stabilization and National Reserves Corporation would function on approximately the same lines for analogous purposes. This is made clear in the composite statement printed on pages 30 and 31.

CORPORATION DISBURSEMENTS AND EXCHANGE VALUE OF THE £

The £'s Exchange value would not be at all likely to be adversely affected by the Corporation's operations even if these assumed large proportions over a term of years. If £100,000,000 worth of reserves were taken into Corporation ownership in any year it would certainly mean that that amount of additional fluid credit had been brought into being, but every £1 would be supported by £1 worth of merchandise—that is of *real consumable wealth* bought on most favourable terms. And the £1 that had been put into circulation would have, *at that moment*, increased the purchasing power of the people in the country from which the commodity had been imported.

As a market for meeting the requirements of primary producers, Great Britain—with its extraordinary variety of manufactures (and their high quality)—is not successfully rivalled by any other country. Therefore, there would be plenty of scope for sheer spending here on the part of the primary producing countries whose goods had gone into reserve.

Speculation Limited—Exchange Equalization

BALANCE OF TRADE

The question of Balance of Trade may nevertheless be pressed, because at the end of any fiscal year it might be found that expenditure on imports had far outweighed the value of our exports in all forms, and this would tend to depress the value of the £. Now our main reason for wishing to keep the £ at a certain value in relation to foreign currencies is to facilitate the purchase of food stuffs and raw materials.

If, however, we had accumulated large reserves of a wide range of these it would not matter if the external value of the £ became temporarily depressed, and the fact that £'s were cheaper to buy than usual would, to that extent, facilitate a proportionate increase in our export trade which is what we want. The value of the £ within the United Kingdom would remain more stable than *ever before* (that is prices would remain more stable than *ever before*) because the £ would always be exchangeable for a definite measure of crude food stuffs and raw materials of a wide range at the Corporation's stores.

Furthermore, and this is a vitally important aspect, foreign buyers should be able to purchase in Britain on precisely the same terms as British buyers. In other words the £ wherever held would have more stability in terms of purchasing power in Britain than *ever before*, and provided British industries maintained a high pitch of efficiency output, studying and catering for the precise requirements of oversea buyers, all would be well. The fact that an American had bought £2,000 at \$4 each

National Reserves for Safety and Stabilization

to acquire a Rolls-Royce would not be in any sense inimical to the Rolls-Royce Company because those £s would be just as good as usual for paying salaries and wages—as well as for the purchase of the big bulk of raw materials which go into the construction of a motor car. (Nearly all of these in crude form would be in the Corporation's stores.) And it would obviously be easier by about 10 per cent to sell motor cars or anything else to American buyers with \$4 buying £1 than it would be if the price of £1 were \$4.50.

Of course this would cut both ways and we should then have to pay more for current imports, but at this stage we should have ample Corporation reserves of the big bulk of our requirements from overseas—always bought at prices below average market prices.

A GENERALIZED FORECAST

Admittedly it would not be prudent more than to generalize as to what position might develop in the matter of the external exchange value of the £ if enormous reserves were in fact imported. Therefore a generalization of the possible then situation must suffice. We have enough gold to cover the remote contingency of having to bridge a gap between disbursements on imports and receipts from exports (visible and invisible) up to several hundred million £. A gap of £100,000,000 might not be unlikely. Figures above that become progressively less likely. (Early in January 1939 the Exchange Equalization Fund announced the transfer of £350,000,000 of gold from the Bank of England—

Speculation Limited—Exchange Equalization

one of the greatest financial operations in City history. Yet the effect on the public was no more than to cause a ripple of interest. No one in this country felt that his £ notes were any less valuable than before and holders of sterling outside the country were reassured. The likelihood is that the gold in question—for the overwhelming part—has continued to reside in the vaults of the Bank of England.)

CONSUMABLE WEALTH AS ALTERNATIVE SECURITY

At all events if the large scale buying by the Corporation required some similar steps to be taken (and if substantial gold payments actually had to be transferred physically) a strong case could be made out in favour of the advantage to the nation of holding durable, essential, consumable commodities in crude form, in place of gold.

OTHER BALANCING FACTORS •

But we should hope and probably be justified in expecting that other balancing factors would outweigh the necessity for any substantial depletion of our gold reserves; such balancing factors being (a) the stimulation to our export trade (resulting from increased credits being established here and without any depreciation in the £'s external value), and (b) the *extra* stimulation to our export trade that would follow in the train of any temporary depreciation in the £'s external value (which could always be rectified at its discretion

National Reserves for Safety and Stabilization

by the Exchange Equalization Fund) coupled with the retarding influence on our import trade which (during the same period) would be effected by an externally depreciated £. In the last-mentioned contingency the Corporation's buying price would of course be lower to overseas exporters into this country in proportion to the extent of the £'s depreciation, and this would stem the flow of produce consigned here for sale to the Corporation.

A "NEW" STABILIZING INFLUENCE

One other immeasurably strong (and unprecedented) factor, too, would then be in operation. The £, wherever held, would always be exchangeable for one or other of a wide range of products in Corporation stores, at selling prices fixed for a known period. Thus, if a continental country (or the manufacturers in that country) wished to import large quantities of e.g. wheat, raw wool, raw cotton, tin or copper (or any other stored produce) it would be quick to capitalize any opportunity to acquire £'s at a slight discount for the purpose of buying out of Corporation reserves—on the same terms, of course, as British buyers.

(Obviously no sales whatever would be made from Corporation reserves of any particular product that were not in the strategic interests of this nation; but as we have seen, the cost of building up one year's reserves of *essential commodities* would not be so great as to cause any marked effect on the external value of the £.)

All these factors (unknown quantities though each

Speculation Limited—Exchange Equalization

must inevitably be) may, I suggest, be accepted as a genuine and reasonable assurance (a) that the £'s external value would not be greatly affected and that (b) any depreciation would be temporary—and largely self-adjusting—and that it could always be rectified without embarrassing repercussions by the prompt exercise of its powers by the Exchange Equalization Fund. No enormous sales to the Corporation could take place without such transactions being anticipated; that is to say there could be no *sudden* external devaluation of the £ due solely to the Corporation's transactions; thus there would be ample time in which to arrange compensating moves to be put into operation as occasion arose. And there is still another and very important potential balancing medium which could be resorted to.

DEBTOR COUNTRIES: REPATRIATION OF LOANS

British investors have nearly £4,000,000,000 of capital invested in overseas (predominantly in primary producing) countries—especially in the southern Dominions and in the Argentine. If it so happened that we bought great quantities of commodities *for reserve* (as we probably should) from these countries and if, instead of wishing to spend their newly acquired money here, the suppliers concerned desired to spend it in their own countries (where they had to meet their production costs) this could very easily be arranged as the following will show.

The Federal and State Governments of Australia jointly owe about £600,000,000 in London—money that

National Reserves for Safety and Stabilization

has been invested in public works (including railways) in Australia. Let us suppose that, in any year, imports from the Commonwealth *which were taken into national reserve* were valued at £10,000,000 and that in effect, Australia's credit in London was higher by that amount than if the demand that had been supplied was only current demand; and suppose the central Australian Government felt that the interests of its people would be better served by spending that money within Australia than in Great Britain or elsewhere. This could easily be arranged. The Australian Loan Council's London agent (i.e. the Commonwealth Bank) would buy from the Australian commercial banks in London £10,000,000 worth of the (excess) credits paying for this *at the Australian end* in *Australian £'s*. This £10,000,000 worth of British money or credit would then be used to pay off that amount of Australian debt owed in London, and the amount would automatically be transformed into an internal Australian debt by the issue in Australia of bonds to an equivalent value.

The same procedure could be adopted by any debtor country. The fact that loans were not falling due would not affect the situation as each country could buy its own bonds in the open market and cancel them—against the issue of corresponding bonds within its own territory.

In this connection, however, it is far more likely that excess credits would be used to buy British manufactures. So eager are the New Zealanders to buy British goods that despite the great increase in their exports to the United Kingdom of recent years the Government of

Speculation Limited—Exchange Equalization

that Dominion has recently been compelled to resort to arbitrary measures to ensure that sufficient credit was available in London to meet interest commitments on New Zealand's public debt to this country. In the post-war years Australia was borrowing heavily in London and buying up to over £60,000,000 worth of British exports in a year. It is safe to say that the people of that Commonwealth would do the same again if they were able to pay (not by borrowing but) by increasing their sales here. In 1937 Australia's imports from the United Kingdom were valued at £39,600,000.

There is no doubt that trade agreements with appropriate debtor countries could be made in advance (conditional on defined circumstances for their application) to facilitate the repatriation of overseas loans in a manner that might well be welcomed by both debtor and creditor.

“ENORMOUS EXPENDITURE” . . . WITHOUT “EXCESSIVE STRAIN”

In case the average reader should be appalled at the suggested financial magnitude of the transactions in which the Corporation would be involved the following may serve as a reassurance *in that respect*.

Speaking at the annual general meeting (1939) of the National Provincial Bank Ltd., the Chairman (Mr. Colin F. Campbell) said: ‘A further consideration which cannot be ignored when looking into the future is the enormous expenditure to which this country is committed in connection with rearmament. *I am not thinking so much of the provision of the money, for this can be pro-*

National Reserves for Safety and Stabilization

vided without excessive strain. . . . What I have in mind is the economical outlay of the money so provided. We need both assurance and confidence that waste and extravagance are being carefully watched so that the final result will prove to have been good value for money expended.' (The italics are mine.)

Now I would remind my readers that armament expenditure is involving the nation in *an extra* outlay of £1,500,000,000 during 1937 to 1940—or thereabouts. And the whole of this vast sum is to be expended irretrievably (though all too necessarily) on non-productive, economically valueless assets. The people of this nation individually or collectively have no possible use for guns, bombers, tanks, and battleships (whose depreciation even as weapons of defence is all too rapid), yet the international situation demands that each of us is obliged to regard this utter waste of skill and wealth (in the words of the Chairman of one of our greatest banks) “as good value for money expended.” And we are in no wise surprised when we hear an erstwhile pacifist politician saying the same sort of thing.

What I want to emphasize is that Mr. Campbell says we can provide £1,500,000,000 for these purposes ‘without excessive strain.’ How much less strain would there be about providing a third of that sum for every £ of which we had tangible, consummable, essential commodities of a type required and in constant demand by every individual in this nation and in the world; and every £ of which would lubricate (and serve to maintain

Speculation Limited—Exchange Equilization

the momentum of) the wheels of production, distribution, manufacturing, and commerce.

And there is something very reassuring in the following excerpt from the speech of Mr. Reginald McKenna as Chairman of the Midland Bank whose Annual General Meeting was held on the day following that of the National Provincial Bank. Mr. McKenna, speaking of course with the added weight and authority of a former Chancellor of the Exchequer, said:

‘ . . . our monetary system and practice are well fitted to cope with the great demands imposed by national necessities. We are, moreover, far stronger than ever before to face any possibilities of financial disturbance that might arise from developments abroad. We are technically better equipped for management, in which our authorities are achieving by experience a rising standard of skill. Above all, under the guiding hand of the Treasury, a high degree of co-ordination is being attained between the major elements in our monetary system, the Bank of England and the commercial banks.’

CHAPTER X

EFFECTS ON WORLD ECONOMY

WIDESPREAD STABILITY

It is clear that with the Corporation functioning, no primary producer within the ambit of the scheme would sell on his own ground or elsewhere at a price lower than he would net by consigning his produce to Great Britain and receiving at least the reserve purchase price. Thus buyers in all countries would be obliged to pay that price as a minimum—excepting for variations in freight charges.

If the Corporation's buying price was higher than normal average price (the *datum line*) it would have serious repercussions; but as we have seen, the guaranteed purchase price would be appreciably *below* average normal prices (the *datum line*) and there would be no more room for complaint on the part of buyers in other countries than there was in this country. As the buyer in Great Britain would doubtless have to pay a higher price in the open market than the Corporation's (buying price), there would still be room for competition as between international buyers. And whatever boon came to the British wholesale buyer would come equally to foreign wholesale buyers.

As absence of price stabilization is as deleterious in its effects on the economy of foreign countries as it is in our own and in oversea British countries, foreign

Effects on World Economy

nationals would have the same reason for gratitude, for the Corporation's functioning, as had the people of Great Britain and of the Dominions and Colonies.

OTHER NATIONAL CORPORATIONS—AN UNLIKELY CONTINGENCY

It has been suggested to me that foreign countries might establish similar Corporations of their own and there would certainly not be anything to prevent their doing so. And this might conjure up a vision of huge Corporations competing one against the other in world markets for primary products. While such a state of affairs would not seem likely, let us assume that several nations did, in fact, each marshal its financial strength to such an end. In that event all the advantages would be in favour of the United Kingdom because, excepting the United States, our financial resources are greater than that of any other country and, not excepting even the United States, we have a wider range and greater volume of primary production (for overseas trade) under our flag than is carried on under any single foreign flag. Furthermore the British market is by far the most important to most foreign primary producing countries—whose exporters (like those in the Dominions and Colonies) have complete confidence (begotten of experience) in the integrity of British traders; in the integrity of our system of finance; and in the stability of our political institutions.

All things considered, and bearing in mind the points raised in Chapter III, it is unlikely that any competing

National Reserves for Safety and Stabilization

foreign Corporations which might be established would function inimically to our interests.

INTERNATIONAL INTERDEPENDENCE FOR RAW PRODUCTS

We must always remember that the rest of the world is very much dependent on production under the British flag for wheat, rice, tea, cocoa, nuts and seeds for expressing oil, wool, jute and rubber, in all of which commodities (*inter alia*) production far exceeds the requirements of our own peoples. In contrast, British Empire production of (*inter alia*) meat stuffs, dairy products, maize, tobacco (of certain grades), and of some essential types of raw cotton (of certain grades) as well as of petroleum, falls short of internal requirements.

Thus the interests of all countries are to a greater or less extent interdependent.

In illustration of this, our Lancashire cotton industry is dependent on the United States for a considerable proportion of its raw material of a requisite staple and quality. And in contrast, the United States is dependent upon British Malaya for the greater part of its enormous requirements in raw rubber. The fixing of a minimum price, below which Lancashire prices could not fall, for American cotton would be widely beneficial not only to the cotton-growing States of the Union, but also to the United States as a whole. Similarly the fixing of a minimum price in Britain below which Malayan rubber could not fall would mean that American buyers, like ourselves, would have to pay at least that price—excepting difference in freight. And that would benefit

Effects on World Economy

not only the people of Malaya but the Britons (and others) whose millions are invested in rubber-growing in that group of Colonies and adjacent countries.

Many other examples might be cited of this interdependence of nations, arising out of climatic advantages obtaining in certain countries or out of the peculiar inherited or acquired skill of their peoples.

GREAT BRITAIN'S ENTREPÔT TRADE

Current requirements of all countries would probably maintain their present directional flow so long as demand kept pace with supply at prices not below the Corporation's buying prices. So soon as there were surpluses, however, the Corporation's policy, along with various other existing magnetic forces, would tend to draw a greater volume of primary products to the United Kingdom than hitherto. And it is strongly indicated that this country would become more than ever an entrepôt from which continental countries would purchase supplies of primary products.

None could hope successfully to vie with Great Britain in really large scale buying and few would wish to try if they were reasonably assured of being able to buy their needs in this country at prices stabilized within a known range.

INTERNATIONAL RELATIONS

We all hope, and may expect that in a few years Europe will have settled down to a new order without

National Reserves for Safety and Stabilization

the constant dread of war, by which time a properly armed Britain (with adequate reserves of essential commodities) will be a much more potent force in international affairs than at present. And at that stage, Great Britain might well become a virtual storehouse for Western Europe; not on any profiteering basis but at net costs plus only such margin of profit as was permissible within the range of fluctuations allowed under the Corporation's system. That is to say, foreign buyers in our markets would compete on even terms with British buyers.

It is only by faithfully pursuing such a policy that we can justify our possession or trusteeship of the heritage (physical, financial, and political) that has come to us and to our dominion and colonial fellow citizens.

THE MORAL ASPECT

Unless we develop our primary resources to meet not only our own but world requirements we have no moral right to their retention. And developing them to the requisite extent, it is equally our moral duty to allow other nations access to the resultant wealth on the same terms as those operating within our own economic system; always after ensuring that our own needs were first served.

Furthermore, we must face the fact that if foreign countries are to buy from us they must sell to us—or to those from whom we draw the goods we re-export.

EFFECT ON WORLD ECONOMY

Very little imagination is required to visualize the

Effects on World Economy

far-reaching effects of this system on world economy. I have endeavoured to make clear how primary producers within the range of the scheme would benefit; and how the processors and manufacturers of such products would benefit in this country. Almost precisely the same range of benefit would be felt by the foreign manufacturer of similar raw products. And the stabilizing of prices of so wide a range of foodstuffs and raw materials as could be comprised in the scheme would automatically impart a considerable measure of stabilization to prices of goods which, by their nature, were excluded from Corporation dealings.

THE CARTEL SYSTEM

Furthermore, just as it is essential to limit (within a reasonable margin) fluctuations in prices of primary products, so is it eminently desirable to stabilize export prices of industrial products so as to eliminate—or greatly reduce—uneconomic competition in markets importing manufactures; competition not only between individual exporters in any one country but also between the chief exporters in all manufacturing countries. Such an order of affairs can be brought about by an extension, over a wide field of industry, of the international cartel system which can be organized to ensure a reasonable return on exports from all manufacturing countries having European standards of living; while assuring supplies to “poor” markets at prices the people in such countries are able to pay.

Certain cartels are already functioning satisfactorily

National Reserves for Safety and Stabilization

on these lines; and the assurance to primary producers of markets at stabilized prices for a large range of primary products would enhance and stabilize their purchasing power which, in turn would greatly facilitate a wide expansion of the cartel system. And this, sanely administered, would be a boon indeed.

IN CONCLUSION

Primarily, therefore, as the result of the Corporation's functioning a new strength would flow into the whole economic structure not only of this country but of the world in general. And by this means one of the prime causes of social discontent in any country would be removed and with its removal there would ordinarily follow that natural, as distinct from regimented, political stability which is the only sound foundation for the conduct of international affairs.

In conclusion I would ask the reader who has been disposed to concentrate on seeking weaknesses in this Plan to look with equal diligence for the factors that go to build up its essential strength. Weaknesses have probably been found in point of detail (upon which it is always risky for a writer to embark). But details are essential for the purpose of illustrating arguments and in most cases details given are intended to be no more than illustrative. It is to be strongly emphasized that details can always be adjusted in practice, provided fundamental principles are sound. And it is soundness of fundamental principle which is claimed for my Plan.

APPENDICES

INTRODUCTORY NOTES ON APPENDIX I

THIS Appendix contains statistical details of imports (and their main sources) as well as average annual and mean monthly prices for certain commodities, viz. two cereals (wheat and maize); four food stuffs of animal origin (butter, beef, mutton and lamb, and bacon and hams); one food stuff of vegetable origin (sugar); one raw material of animal origin (wool); two raw materials of vegetable origin (rubber and cotton); and two mineral raw materials (tin and copper). Crude iron was not included, owing to the many forms in which it is imported making it difficult to express imports in terms of pig iron.

The food stuffs of animal origin would present more difficulty in storage than any of the other commodities mentioned; but, for strategic reasons, it seems essential that we should have reserves of the former, and these could certainly be established by modern scientific means.

So far as cereals, sugar, and the raw materials mentioned are concerned, no storage difficulties would be encountered.

The sections dealing with the United Kingdom's volumes of imports compared with apparent world exports should be accepted with reserve. Similarly, the per capita "requirements" should be accepted with reserve, especially so far as raw materials used in manufactured exports are concerned.

With food stuffs of animal origin, the amounts apparently available for consumption fall far short of the real physical needs of a great proportion of our population.

While Officers on the staffs of the Board of Trade, of the Imperial Economic Committee, and of the appropriate associations of producers and traders, have all afforded help and courtesy in assisting him to compile this Appendix, the

National Reserves for Safety and Stabilization

Author desires to make it clear that he alone is responsible for errors in facts (if any) or in interpretation.

IMPORTANT

In the cases of many of the commodities dealt with in Appendix i, hypothetical stabilized prices have been applied to apparently normal import figures to show what these would cost at such prices. Neither the Author nor any one who assisted him in the compilation of what follows suggests that these hypothetical prices are those which should obtain—though they are perhaps not wide of the mark in some cases.

APPENDIX I

WHEAT

HOME PRODUCTION

1937, 30,180,000 cwt.

AVERAGE ANNUAL IMPORTS

The United Kingdom's annual average imports of wheat during the six years 1932 to 1937 amounted to 103,255,000 cwt. at an annual average cost of £34,891,000.

FROM EMPIRE SOURCES

During these six years imports from overseas British countries averaged 67,702,000 cwt. or 65·5 per cent with a maximum of 84,376,000 cwt. in 1936; and a minimum of 54,737,000 cwt. in 1935.

The chief sources of overseas Empire supply (annual averages) were:

Canada with 42,847,000 cwt. or 41·5 per cent (of total imports)
Australia with 23,069,000 cwt. or 22·3 per cent

FROM FOREIGN SOURCES

The average importation from foreign sources in these years was 35,533,000 cwt.

The chief sources of foreign supply (annual averages) were:

The Argentine with 19,929,000 cwt. or 19·3 per cent
(of total imports)

The Soviet Union with 4,388,000 cwt. or 4·2 per cent

The maximum importation from foreign sources in any of these years was 46,488,000 cwt. in 1935; the minimum was 16,395,000 cwt. in 1936.

RE-EXPORTS

The United Kingdom's annual average re-exports over the same six years amounted to about one million cwt. and the chief country to which this wheat was consigned was Eire.

National Reserves for Safety and Stabilization

NORMAL IMPORTS AT STABILIZED PRICES

If the annual average total imports less re-exports over these six years be accepted as our normal imported requirements, these amount to about 102,000,000 cwt. and if a reasonably stabilized price averaged 7s. 9d. per cwt. (about 4s. 2d. per bushel) the cost (c.i.f.) would amount to £39,500,000 per annum.

UNITED KINGDOM'S IMPORTS COMPARED WITH WORLD EXPORTS

The total annual average exports of wheat from all countries during 1934, 1935, and 1936 (according to the International Institute of Agriculture) amounted to 272,000,000 cwt.; and the annual average imports into the United Kingdom in the same years amounted to 102,000,000 cwt., so that in those years the United Kingdom's imports were equivalent to 37·5 per cent of apparent available world supplies as expressed in average exportable surpluses.

PRICE FLUCTUATIONS BY YEARS 1922 TO 1937

The average market prices paid for wheat of uniform quality (No. 2 Northern Manitoba) during the years 1922 to 1937 were as follows, prices being quoted in shillings per quarter at London:

1922	1923	1924	1925	1926	1927	1928	1929
55·18	45·9	56·34	65·61	61·16	59·47	54·05	52·68
1930	1931	1932	1933	1934	1935	1936	1937
39·31	27·08	29·15	27·37	28·94	32·35	37·53	52·62

Thus the maximum average annual price over these 16 years was 65·61s. per quarter in 1925; and the minimum average annual price over these same years was 27·08s. per quarter in 1933.

PRICE FLUCTUATIONS BY MONTHS 1937 AND 1938

During 1937 and 1938 the mean average monthly market prices have been as follows, quoted in shillings per quarter at London:

	Jan.	Feb.	Mar.	April	May	June
1937	50·67	50·08	53·13	56·13	51·85	47·79
1938	59·42	58·02	55·13	51·93	46·82	44·33
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	54·62	49·92	52·12	56·15	54·15	54·85
1938	40·63	34·90	30·41	28·15	27·06	27·35

Appendices

Thus the maximum average monthly price over these 24 months was 59·42s. per quarter in January 1938, while the minimum average monthly price over the same months was 27·06s. per quarter in November 1938.

APPARENT PER CAPITA SUPPLY

The average annual per capita supply of wheat in the United Kingdom, on the basis of a population of 48,000,000, would appear to be 238 lb.

Sources of Figures: "Annual Statement of the Trade of the United Kingdom," Vol. II; "Board of Trade Journal"; "Corn Trade Year Book" (Broomhall); "Ministry of Agriculture Statistics."

MAIZE

HOME PRODUCTION

Negligible.

AVERAGE ANNUAL IMPORTS

The United Kingdom's annual average imports of maize—all types—during the six years 1932 to 1937 amounted to 61,653,000 cwt. at an annual average cost of £14,155,000.

FROM EMPIRE SOURCES

During these six years imports from overseas British countries averaged 3,276,000 cwt. or 23·14 per cent.

The chief sources of overseas Empire supply (annual averages) were:

South (and S.W.) Africa	with 2,039,000 cwt.	or	3·31 per cent (of total)
Southern Rhodesia	with 8,074,000 cwt.	or	1·42 per cent
Kenya	with 333,000 cwt.	or	·54 per cent

The maximum importation from Empire sources in any of these years was 5,197,000 cwt. in 1937; the minimum was 1,670,000 cwt. in 1934.

National Reserves for Safety and Stabilization

FROM FOREIGN SOURCES

The chief sources of foreign supply (annual averages) were:

The Argentine	with 53,978,000 cwt.	or 87.55 per cent
Roumania	with 1,482,000 cwt.	or 2.40 per cent

The maximum importation from foreign sources in any of these years was 66,562,000 cwt. in 1937; the minimum was 48,385,000 cwt. in 1933.

RE-EXPORTS

The United Kingdom's annual average re-exports over the same six years amounted to about two million cwt., and the chief country to which this maize was consigned was Eire.

NORMAL IMPORTS AT STABILIZED PRICES

If the annual average total imports less re-exports over these six years be accepted as our normal imported requirements, these amount to about sixty million cwt., and if a reasonably stabilized price for all types of maize averaged 5s. per cwt. (about 4s. 6d. per cental) the cost (c.i.f.) would amount to £15,000,000 per annum.

UNITED KINGDOM'S IMPORTS COMPARED WITH WORLD EXPORTS

The total annual average exports of maize from all countries during 1934, 1935, and 1936 (according to the International Institute of Agriculture) amounted to 189,000,000 cwt., and the annual average imports into the United Kingdom in the same years amounted to 65,000,000 cwt., so that in those years the United Kingdom's imports were equivalent to 34.39 per cent of apparent available world supplies as expressed in average exportable surpluses.

PRICE FLUCTUATIONS BY YEARS 1922 TO 1937

The average market prices paid for Yellow La Plata maize of uniform quality during the years 1922 to 1937 were as follows, prices being quoted in shillings per cental at Liverpool. (N.B.—Yellow La Plata is a high-grade maize.)

1922	1923	1924	1925	1926	1927	1928	1929
8.381	7.995	8.917	8.930	6.792	6.865	8.864	8.142
1930	1931	1932	1933	1934	1935	1936	1937
5.581	3.774	4.251	3.941	4.429	3.981	4.456	5.874

Appendices

Thus the maximum average annual price over these 16 years was 8.90s. per cental in 1924-5 and the minimum average annual price over these same years was 3.77s. per cental in 1931.

PRICE FLUCTUATIONS BY MONTHS 1937 AND 1938

During 1937 and 1938 the mean average monthly market prices have been as follows, quoted in shillings per cental at Liverpool:

	Jan.	Feb.	Mar.	April	May	June
1937	5.219	5.250	5.479	6.158	5.740	5.688
1938	7.031	6.854	6.608	7.031	7.323	6.898
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	5.950	5.990	6.117	6.177	6.219	6.500
1938	6.938	6.260	6.017	5.854	5.208	5.975

Thus the maximum average monthly price over these 24 months was 7.323s. per cental in May 1938; while the minimum average monthly price over the same months was 5.208s. per cental in November 1938.

APPARENT PER CAPITA SUPPLY

The average annual per capita supply of maize in the United Kingdom on the basis of a population of 48,000,000, would appear to be about 143 lb.

Maize is used chiefly for stock-feeding.

Figures compiled from Vol. II of "The Annual Statement of Trade of the United Kingdom with British Countries and Foreign Countries"; "Board of Trade Journal"; the Year Book of the International Institute of Agriculture and League of Nations Publications.

SUGAR

HOME PRODUCTION

Season 1937-8, 419,000 long tons in terms of raw sugar.

AVERAGE ANNUAL IMPORTS

The United Kingdom's annual average imports of sugar during the six years 1932 to 1937 amounted to 2,142,335 long tons¹ at an annual average cost of £15,868,469.²

For references to numbers see Explanatory Notes, p. 156

National Reserves for Safety and Stabilization

FROM EMPIRE SOURCES

During these six years imports from overseas British countries averaged 934,013 long tons or 43·6 per cent.

The chief sources of overseas Empire supply (annual averages) were:

Australia	with 274,268 ⁴ long tons	or 12·8 per cent of whole
Mauritius	with 223,759 ⁴ long tons	or 10·4 per cent of whole
Union of South Africa	with 115,043 ⁴ long tons	or 5·4 per cent of whole

The maximum importation from Empire⁵ sources in any of these years was 1,326,721³ long tons in 1937; the minimum was 700,413 long tons in 1932.

FROM FOREIGN SOURCES

The chief sources of foreign supply (annual averages) were:

Cuba	with 615,257 ⁴ long tons	or 28·7 per cent
Dominican Republic	with 210,778 ⁴ long tons	or 9·8 per cent
Peru	with 153,150 ⁴ long tons	or 7·1 per cent
Netherlands East Indies	with 66,355 ⁴ long tons	or 3·1 per cent

The maximum importation from foreign⁶ sources in any of these years was 1,678,138 long tons in 1932; the minimum was 934,194 long tons in 1937.

RE-EXPORTS

The United Kingdom's annual average re-exports of *raw* sugar are negligible.⁷

NORMAL IMPORTS AT STABILIZED PRICES

If the annual average total imports over these six years be accepted as our normal imported requirements, these amount to 1,779,000 long tons, raw value; and if a reasonably stabilized price averaged 6s. 6d.¹⁰ per cwt. the cost (c.i.f.) would amount to £11,564,000 per annum.

For references to numbers see Explanatory Notes, p. 156

Appendices

UNITED KINGDOM'S IMPORTS COMPARED WITH WORLD EXPORTS

The total exports of sugar from all countries during 1936-37 (the latest year for which comprehensive figures are available) amounted to 5,245,000⁸ long tons so that in that year the United Kingdom's net imports were equivalent to 34·5 per cent of apparent available world supplies as expressed in average exportable surpluses.

PRICE FLUCTUATIONS BY YEARS 1922 TO 1937

The average (c.i.f.) prices paid for raw sugar (96°) of uniform quality during the years 1922 to 1937 were as follows, prices being quoted in shillings and pence per cwt. at London:

1922	1923	1924	1925	1926	1927
15s. 3½d.	25s. 9d.	21s. 9d.	12s. 9d.	12s. 3d.	13s. 9d.
1928	1929	1930	1931	1932	1933
11s. 7½d.	9s. 0½d.	6s. 7d.	6s. 3¾d.	5s. 9½d.	5s. 3d.
	1934	1935	1936	1937	
	4s. 8¾d.	4s. 8d.	4s. 8¾d.	6s. 4¼d.	

Thus the maximum average annual price over these 16 years was 25s. 9d. per cwt. in 1923; and the minimum average annual price over these same years was 4s. 8d. per cwt. in 1935.

PRICE FLUCTUATIONS BY MONTHS 1937 AND 1938

During 1937 and 1938 the mean average monthly market prices have been as follows, quoted in shillings and pence per cwt. at London:

	Jan.	Feb.	Mar.	April	May	June
1937	5s. 11¼d.	6s. 1½d.	6s. 7d.	6s. 5¼d.	6s. 4¾d.	6s. 7¾d.
1938	6s. 0d.	5s. 4¼d.	5s. 2½d.	4s. 11½d.	5s. 0½d.	5s. 1¾d.
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	6s. 7¾d.	6s. 5¾d.	6s. 5¼d.	6s. 5½d.	6s. 0½d.	6s. 0½d.
1938	5s. 3½d.	5s. 4¼d.	5s. 6¾d.	5s. 2¾d.	5s. 8½d.	6s. 0¼d.

Thus the maximum average monthly price over these 20 months was 6s. 7¾d. per cwt. in June-July 1937; while the minimum average monthly price over the same months 4s. 11½d. per cwt. in April 1938.

For references to numbers see Explanatory Notes, p. 156

National Reserves for Safety and Stabilization

APPARENT PER CAPITA SUPPLY

The average annual per capita supply of sugar⁹ in 1936-7 in the United Kingdom, on the basis of a population of 48,000,000 would appear to be 110 lb.

EXPLANATORY NOTES

¹ This figure represents the sum of raw and refined sugar *tel quel*, but the amount of refined sugar imported is relatively very small.

² Note that the average import value per cwt. of Empire sugars is higher than that of foreign sugars owing to the preference.

³ Excludes possible negligible quantities of refined imports from British countries.

⁴ Raw sugar only; refined negligible.

⁵ From all overseas Empire sources together.

⁶ From all foreign sources together.

⁷ Re-exports are negligible, amounting to 2,000 or 3,000 tons a year, destinations not known. Considerable quantities of sugar are, however, imported into the United Kingdom raw, refined there, and exported as refined sugar. During the six years 1932 to 1937, the average annual amount of such refined sugar exported from the United Kingdom was 334,395 long tons, the chief destinations being Finland, Norway, Switzerland, Uruguay, Esthonia, and British India.

⁸ Excludes exports to the United States of America from Cuba, the Philippine Islands, and United States' Insular Possessions, which are regarded as a unit from the point of view of sugar exports.

⁹ Consumption requirements, i.e. import requirements plus home production amounting to 580,000 long tons raw value.

¹⁰ This is the price for foreign raw sugar; preferential Empire sugars would ultimately receive a higher price if consumed in the United Kingdom. (See note 2 above and also last section of Chapter VI.)

Sources of figures; The statistics of United Kingdom trade are from the Board of Trade. The price quotations are from Messrs. C. Czarnikow. The production figure is from the Sugar Commission. The figures of exports from all countries and United Kingdom per capita consumption are as calculated by the International Sugar Council.

Compiled to the above pro forma by the International Sugar Council for which assistance the Author expresses his thanks.

Appendices

RAW WOOL

HOME PRODUCTION

Season 1937-8: 107,000,000 lb.

ANNUAL AVERAGE IMPORTS

The United Kingdom's annual average imports of raw wool (actual weight) during the six years 1932 to 1937 amounted to 870,000,000 lb. at an annual average cost of £39,066,061.

FROM EMPIRE SOURCES

During these six years imports from overseas British countries averaged 714,000,000 lb. or 82 per cent with a maximum of 785,000,000 lb. in 1933; and a minimum of 631,000,000 lb. in 1934.

The chief sources of overseas Empire supply (annual averages) were:

Australia	with 313,000,000 lb.	or 36 per cent
New Zealand	with 208,000,000 lb.	or 24 per cent
South Africa	with 137,000,000 lb.	or 16 per cent
		(of total)

FROM FOREIGN COUNTRIES

The chief sources of foreign supply (annual averages) were:

Argentina	with 83,000,000 lb.	or 10 per cent
France	with 22,000,000 lb.	or 3 per cent
		(of total in each case)

The maximum importation from foreign sources in any of these years was 167,000,000 lb. in 1933; the minimum was 146,000,000 lb. in 1937.

RE-EXPORTS

The United Kingdom's annual average re-exports over the same six years amounted to 291,000,000 lb. and the chief countries to which this wool was consigned were France, Belgium, Germany, Poland, and the U.S.A.

NORMAL IMPORTS AT STABILIZED PRICES

If the annual average total imports less re-exports over these six years be accepted as our normal imported requirements, these amount

National Reserves for Safety and Stabilization

to about 600,000,000 lb.; and if a reasonably stabilized price for each grade averaged (in the aggregate) 10½d. per lb., the cost (c.i.f.) would amount to about £27,000,000 per annum.

UNITED KINGDOM'S IMPORTS COMPARED WITH WORLD EXPORTS

The total exports of raw wool from all countries during 1937 amounted to about 1,940,000,000 lb. so that in that year the United Kingdom's imports were equivalent to 40 per cent of apparent available world supplies as expressed in exportable surpluses.

PRICE FLUCTUATIONS BY YEARS 1922 TO 1937 MERINO

The average market prices paid for merino greasy 66's (clean basis) during the years 1922 to 1937 were as follows, prices being quoted in pence per lb. at London wool sales:

1922	1923	1924	1925	1926	1927	1928	1929
52	59	76¾	57¼	50¼	53¼	50¾	40½
1930	1931	1932	1933	1934	1935	1936	1937
26	21	19½	24¾	28¼	25½	31¾	34¾

Thus the maximum average annual price over these 16 years was 76¾d. per lb. in 1924; and the minimum average annual price over these same years was 19½d. per lb. in 1932.

CROSSBRED

The average market prices paid for crossbred greasy 46's (clean basis) during the years 1922 to 1937 were as follows, prices being quoted in pence per lb. at London wool sales:

1922	1923	1924	1925	1926	1927	1928	1929
12½	17¼	31	23¼	19½	21½	25½	21¼
1930	1931	1932	1933	1934	1935	1936	1937
12¾	9	7½	8½	10	9¾	13½	21

Thus the maximum average annual price over these 16 years was 31d. per lb. in 1924; and the minimum average annual price over these same years was 7½d. per lb. in 1932.

Appendices

PRICE FLUCTUATIONS BY MONTHS 1937 AND 1938

MERINO

During 1937 and for recorded months of 1938 the mean average monthly market prices for merino greasy 66's (clean basis) have been as follows quoted in pence per lb. at London wool sales:

	Jan.	Feb.	Mar.	April	May	June
1937	35	33	37	37½	37½	37
1938	26½	24½	24	24½	25	24
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	38½	38½	34½	31(a)	26½	29
1938	24	24	23	23	22½	22½

Thus the maximum average monthly price over these 20 months was 38½d. per lb. in July and August 1937; while the minimum average monthly price over the same months was 24d. per lb. in March, June, July, and August 1938.

CROSSBRED

During 1937 and for recorded months of 1938 the mean average monthly market prices for crossbred greasy 46's (clean basis) have been as follows, quoted in pence per lb. at London wool sales:

	Jan.	Feb.	Mar.	April	May	June
1937	21½	19	22	24	23½	23
1938	15	13	14	14	14	13½
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	23½	24	21½	19(a)	15	16
1938	13½	13½	14½	15	14	14½

Thus the maximum average monthly price over these 20 months was 24d. per lb. in April and August 1937; while the minimum average monthly price over the same months was 13d. per lb. in February 1938.

APPARENT PER CAPITA SUPPLY

The average annual supply of wool of all types in the United Kingdom, on the basis of a population of 48,000,000, would appear to be 12 lb. per capita, of which only a part would be consumed, the balance being exported in manufactured form.

National Reserves for Safety and Stabilization

EXPLANATORY NOTES

In interpreting the above figures, it is to be borne in mind that:

- (i) These statistics are on an actual weight basis—i.e. adding together greasy and scoured wool—and in consequence they do not provide an accurate picture of the amount of clean wool actually available for the industry.
- (ii) These figures also discount variation in stocks which are considerable in this industry. The Imperial Economic Committee publishes stocks in public warehouses, in railway and canal depots, and at ports, but those interested in the trade have informed the I.E. Committee that stocks in private warehouses vary considerably in volume and that trade figures, therefore, are a very imperfect indication of the amount of wool consumed in any one year.
- (iii) The average figures during the period covered obscure considerable fluctuations, and in view of the changing economic and political conditions such a period cannot properly be considered as “normal.”
- (iv) The prices quoted here are for one quality of merino and one quality of crossbred. While these are representative prices as far as they can be obtained, it should be remembered that they represent one quality only in each case, whereas wool qualities vary considerably and price movements do not always correspond. These prices are London auction rates in sterling and would differ, therefore, from the prices say in Australia or New Zealand, while market prices in South Africa and South America have in recent seasons displayed considerable variations from world trend, owing to the operations of countries such as Germany, Italy, and Japan, where special inducements to purchase have been in evidence.
- (v) No attempt can be made to estimate per capita wool consumption in this country. The Imperial Economic Committee has gone into the question very thoroughly, but in view of the fact that the United Kingdom exports large quantities of wool tissues, not only of pure wool but of mixtures where the percentage of wool is hard to define, and in view of the absence of complete stock figures mentioned above, any estimation of per capita consumption is liable to wide and varying margins of error.

Compiled to the above pro forma at the office of the Imperial Economic Committee, for which assistance the Author expresses his thanks.

Appendices

RAW COTTON

ALL TYPES

HOME PRODUCTION

Nil.

AVERAGE ANNUAL IMPORTS

The United Kingdom's average annual imports of all types of raw cotton during the six years 1932 to 1937 amounted to 14,004,000 centals at an annual average cost of £38,040,000.

FROM EMPIRE SOURCES

During these six years imports from overseas British countries averaged 2,532,000 centals or 18·1 per cent with a maximum of 3,500,000 centals in 1936, and a minimum of 1,333,000 centals in 1932.

The chief sources of overseas Empire supply (annual averages) were:

Anglo-Egyptian Sudan	with 600,000 centals	or 4·28 per cent
British India	with 1,576,000 centals	or 11·25 per cent
British West Africa	with 112,000 centals	or ·80 per cent
		(of total imports)

FROM FOREIGN SOURCES

The chief sources of foreign supply (annual averages) were:

The U.S.A.	with 6,499,000 centals	or 46·41 per cent
Egypt	with 2,802,000 centals	or 20·01 per cent
Brazil	with 790,000 centals	or 5·64 per cent
Peru	with 788,000 centals	or 5·63 per cent
		(of total imports)

The maximum importation from foreign sources in any of these years was 13,171,000 centals in 1937; the minimum was 10,139,000 centals in 1935.

RE-EXPORTS

The United Kingdom's average annual re-exports of *raw* cotton over the same six years amounted to 612,000 centals.

National Reserves for Safety and Stabilization

PRICE FLUCTUATIONS BY YEARS 1922 TO 1937

EGYPTIAN COTTON

The average market prices paid for Egyptian Sakellarides cotton of uniform quality during the years 1922 to 1937 were as follows, prices being quoted in pence per lb. at Liverpool:

1922	1923	1924	1925	1926	1927	1928	1929
18·14	18·13	24·19	29·22	16·30	16·78	19·24	17·05
1930	1931	1932	1933	1934	1935	1936	1937
12·03	7·816	7·251	7·548	8·608	8·650	9·958	9·859

Thus the maximum average annual price over these 16 years was 29·22d. per lb. in 1925; and the minimum average annual price over these same years was 7·251d. per lb. in 1932.

AMERICAN COTTON

The average market prices paid for American middling cotton of uniform grade during the years 1922 to 1937 were as follows, prices being quoted by seasons in pence per lb. at Liverpool:

1922-3	1923-4	1924-5	1925-6	1926-7	1927-8
12·32	16·49	16·30	12·71	9·26	9·50
1928-9	1929-30	1930-1	1931-2	1932-3	1933-4
10·93	10·29	7·474	5·097	5·246	5·553
	1934-5	1935-6	1936-7	1937	
	6·675	6·709	6·690	6·371	

Thus the maximum average annual price over these 16 years was 16·49d. per lb. in 1923-4; and the minimum average annual price over these same years was 5·097d. per lb. in 1931-2.

PRICE FLUCTUATIONS BY MONTHS 1937 AND 1938

During 1937 and for recorded months of 1938 the mean average monthly market prices have been as follows, quoted in pence per lb. at Liverpool:

	Jan.	Feb.	Mar.	April	May	June
1937	10·29	9·998	11·76	12·05	11·30	10·54
1938	8·408	8·425	8·39	8·014	7·555	7·445
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	9·724	9·223	8·775	8·290	8·253	8·104
1938	7·828	7·763	7·868	8·275	8·35	7·700

Appendices

Thus the maximum average monthly price over these 24 months was 12·05d. per lb. in April 1937; while the minimum average monthly price over the same months was 7·445d. per lb. in June 1938.

AMERICAN MIDDLING COTTON

During 1937 and for recorded months of 1938 the mean average monthly market prices have been as follows, quoted in pence per lb. at Liverpool:

	Jan.	Feb.	Mar.	April	May	June
1937	7·182	7·303	7·868	7·604	7·305	7·060
1938	4·935	5·08	5·065	4·866	4·65	4·623
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	6·684	5·885	5·358	4·836	4·593	4·776
1938	5·01	4·798	4·786	5·158	5·125	5·146

Thus the maximum average monthly price over these 24 months was 7·868d. per lb. in March 1937; while the minimum average monthly price over the same months was 4·593d. per lb. in November 1937.

APPARENT PER CAPITA REQUIREMENTS

The average annual per capita "requirements" in raw cotton of the United Kingdom, on the basis of a population of 48,000,000, would appear to be under 27 lb., but the weight of cotton "consumed" per head of the population in this country would be only a very small proportion of that figure.

Sources of figures: "Annual Statement of the Trade of the United Kingdom," Vol. II; prices taken from "Board of Trade Records" by courtesy of the officer in charge.

CRUDE RUBBER

AVERAGE ANNUAL IMPORTS

The United Kingdom's average annual gross imports of rubber during the five years 1933 to 1937 amounted to 138,120 tons at an annual average value of £8,218,543.

National Reserves for Safety and Stabilization

FROM EMPIRE SOURCES

During these five years imports from overseas British countries averaged 111,398 tons or 80·7 per cent.

The chief sources of overseas Empire supply (annual averages) were:

Malaya	with	93,842 tons	or	67·9 per cent
Ceylon	with	10,944 tons	or	7·9 per cent
British India	with	3,582 tons	or	2·6 per cent
(of total)				

The maximum importation from Empire sources in any of these years was 168,443 tons in 1934; the minimum was 49,250 tons in 1936.

FROM FOREIGN SOURCES

The chief sources of foreign supply (annual averages) were:

Netherlands East Indies	with	22,855 tons	or	16·5 per cent
Brazil	with	1,408 tons	or	1·0 per cent
(of total)				

The maximum importation from foreign sources in any of these years was 43,241 tons in 1934; the minimum was 12,527 tons in 1936.

RE-EXPORTS

The United Kingdom's average annual re-exports over the same five years amounted to 48,862 tons, and the chief countries to which this tonnage was consigned were the Soviet Union, Germany, and Belgium.

NORMAL IMPORTS AT STABILIZED PRICES

If the average annual total imports less re-exports over these five years be accepted as our normal imported requirements, these amount to 89,258 tons; and if a reasonably stabilized price averaged 9d. per lb., the cost (London landed) would amount to £7,497,672 per annum.

UNITED KINGDOM'S IMPORTS COMPARED WITH WORLD EXPORTS

The total net exports of rubber from all countries during 1937 amounted to 1,135,337 tons so that in that year the United Kingdom's

Appendices

net imports were equivalent to 8.14 per cent of apparent available world supplies as expressed in exportable surpluses.

PRICE FLUCTUATIONS BY YEARS 1922 TO 1937

The average market prices paid for ribbed smoked sheet-rubber of uniform quality during the years 1922 to 1937 were as follows, prices being quoted in pence per lb. London landed:

1922	1923	1924	1925	1926	1927
9 $\frac{1}{8}$ d.	1s. 3 $\frac{5}{16}$ d.	1s. 1 $\frac{7}{8}$ d.	2s. 1 $\frac{1}{16}$ d.	1s. 11 $\frac{3}{4}$ d.	1s. 6 $\frac{7}{16}$ d.
1928	1929	1930	1931	1932	1933
10 $\frac{11}{16}$ d.	10 $\frac{1}{4}$ d.	5 $\frac{3}{8}$ d.	3 $\frac{11}{16}$ d.	2 $\frac{11}{32}$ d.	3 $\frac{1}{4}$ d.
	1934	1935	1936	1937	
	6 $\frac{7}{32}$ d.	6d.	7 $\frac{3}{4}$ d.	9 $\frac{1}{2}$ d.	

Thus the maximum average annual price over these 16 years was 2s. 11 $\frac{1}{4}$ d. per lb. in 1925; and the minimum average annual price over these same years was 2 $\frac{1}{32}$ d. per lb. in 1932.

PRICE FLUCTUATIONS BY MONTHS 1937 AND 1938

During 1937 and 1938 the mean average monthly market prices have been as follows, quoted in pence per lb. London landed:

	Jan.	Feb.	Mar.	April	May	June
1937	10 $\frac{1}{2}$ d.	10 $\frac{5}{8}$ d.	11 $\frac{2}{3}$ d.	10 $\frac{2}{3}$ d.	10 $\frac{2}{3}$ d.	9 $\frac{11}{16}$ d.
1938	7 $\frac{3}{32}$ d.	7 $\frac{1}{8}$ d.	6 $\frac{3}{32}$ d.	5 $\frac{2}{3}$ d.	5 $\frac{2}{3}$ d.	6 $\frac{7}{32}$ d.
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	9 $\frac{1}{8}$ d.	8 $\frac{2}{3}$ d.	9 $\frac{1}{32}$ d.	7 $\frac{13}{16}$ d.	7 $\frac{3}{32}$ d.	7 $\frac{11}{32}$ d.
1938	7 $\frac{1}{2}$ d.	7 $\frac{2}{3}$ d.	7 $\frac{7}{8}$ d.	7 $\frac{2}{3}$ d.	8 $\frac{5}{32}$ d.	8 $\frac{3}{32}$ d.

Thus the maximum average monthly price over these 20 months was 11 $\frac{2}{3}$ d. per lb. in March 1938; while the minimum average monthly price over the same months was 5 $\frac{2}{32}$ d. per lb. in May 1938.

APPARENT PER CAPITA REQUIREMENTS

The average annual per capita requirements in crude rubber of the United Kingdom, on the basis of a population of 48,000,000, would appear to be 4.2 lb.

Source of figures; Compiled to this pro forma by the Rubber Growers' Association for which assistance the Author expresses his thanks. This association did not, however, suggest the price per lb. at which (for illustrative purposes) it is suggested the selling of rubber might stabilize.

National Reserves for Safety and Stabilization

TIN

HOME PRODUCTION

1937: 2,000 tons.

AVERAGE ANNUAL IMPORTS

The United Kingdom's annual average imports of tin and tin-in-ore (i.e. estimated tin content of ore) during the six years 1932 to 1937 amounted to 39,500 tons at an annual average cost of £7,609,000.

FROM EMPIRE SOURCES

During these six years imports from overseas British countries averaged 12,671 tons or 5 per cent.

The chief sources of overseas Empire supply (annual averages) were:

Malaya	with 4,366 tons	or 11 per cent
Nigeria	with 6,600 tons (estimated ore content)	or 17 per cent

The maximum importation from Empire sources in any of these years was 19,169 tons in 1937; the minimum was 7,881 tons in 1933.

FROM FOREIGN SOURCES

The chief sources of foreign supply (annual averages) were:

Bolivia	with 15,600 tons (estimated ore content)	or 40 per cent
Netherlands	with 3,160 tons	or 8 per cent

The maximum importation from foreign sources in any of these years was 35,125 tons in 1937; the minimum was 12,756 tons in 1933.

RE-EXPORTS

The United Kingdom's annual average exports and re-exports over the same six years amounted to 24,000 tons, and the chief countries to which this tin was consigned were the U.S.S.R., France, and the U.S.A.

Appendices

NORMAL IMPORTS AT STABILIZED PRICES

If the annual average total imports less re-exports over these six years be accepted as our normal imported requirements, these amount to 15,000 tons; and if a reasonably stabilized price averaged £220 per ton, the cost (c.i.f.) would amount to £3,300,000 per annum. (See notes 1 and 2.)

UNITED KINGDOM'S IMPORTS COMPARED WITH WORLD OUTPUT

The total output of tin from all producing countries during 1937 amounted to 208,000 tons. No producing country is more than a negligible consumer of tin so in that year the United Kingdom's imports were probably equivalent to 27 per cent of apparent available world supplies as expressed in exportable surpluses.

PRICE FLUCTUATIONS BY YEARS 1922 TO 1937

The average market prices paid for tin of uniform quality during the years 1922 to 1937 were as follows, prices being quoted in £'s per ton at London:

1922	1923	1924	1925	1926	1927	1928	1929
159½	202¼	248½	261½	291½	289	227¼	204
1930	1931	1932	1933	1934	1935	1936	1937
142	118	136	195	230	226	205	242

Thus the maximum average annual price over these 16 years was £291½ per ton in 1926; and the minimum average annual price over these same years was £118 per ton in 1931.

PRICE FLUCTUATIONS BY MONTHS 1937 AND 1938

During 1937 and 1938 the mean average monthly market prices have been as follows, quoted in £'s per ton at London:

	Jan.	Feb.	Mar.	April	May	June
1937	229	234	283	267	251	250
1938	184	183	184	169	163	178
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	264	265	259	224	191	191
1938	193	193	194	207	214	215

National Reserves for Safety and Stabilization

Thus the maximum average monthly price over these 20 months was £283 per ton in March 1937; while the minimum average monthly price over the same months was £163 per ton in May 1938.

APPARENT PER CAPITA REQUIREMENTS

The average annual per capita requirements in tin of the United Kingdom, on the basis of a population of 48,000,000, would appear to be about $\frac{3}{4}$ lb.

NOTES:

1. The average annual requirements are somewhat higher than the figure given since the period 1932-7 included years in which large reserve stocks were consumed. The figure should perhaps be as high as 20,000 tons (instead of 15,000).
2. The cost would not be quite in this ratio to needs since a large proportion of imports would be in ore. The average annual imports of ore over the period 1932-7 was the equivalent of 28,000 tons of tin estimated with metal at £220 per ton ore would be £140 to £170 per ton.

Sources of figures: Tin Producers' Association, to whom the Author expresses his thanks.

COPPER

HOME PRODUCTION

Negligible.

AVERAGE ANNUAL IMPORTS

The United Kingdom's annual average imports of standard copper during the six years 1932 to 1937 amounted to 290,000 tons at an annual average cost of £10,875,000.

FROM EMPIRE SOURCES

During these six years imports from overseas British countries averaged 168,000 tons or 58 per cent with a maximum per centum total of 58 in 1936, and with a minimum percentage to total of 51 in 1934.

Appendices

The chief sources of overseas Empire supply (annual averages) were:

Canada	with 89,000 tons	or 31 per cent
Northern Rhodesia	with 62,000 tons	or 22 per cent
		(of total)

The maximum importation by volume from Empire sources in any of these years was 244,000 tons in 1937; the minimum was 95,000 tons in 1933.

FROM FOREIGN SOURCES

The chief sources of foreign supply (annual averages) were:

Chile	with 84,000 tons	or 29 per cent
The U.S.A.	with 33,000 tons	or 11 per cent
		(of total)

The maximum importation from foreign sources in any of these years was 165,000 tons in 1937; the minimum was 59,000 tons in 1933.

RE-EXPORTS

The United Kingdom's average annual re-exports over the same five years amounted to 40,000 tons, and the chief countries to which this copper was consigned was the Soviet Union.

NORMAL IMPORTS AT STABILIZED PRICES

If the average annual total imports less re-exports over these six years were accepted as our normal imported requirements, these amount to 250,000 tons; and if a reasonably stabilized price averaged £45 per ton, the cost (c.i.f.) would amount to £11,250,000 per annum.

PRICE FLUCTUATIONS BY YEARS 1923 TO 1937

The average market prices paid for copper during the years 1923 to 1937 were as follows, prices being quoted in £'s per ton at London (Metal Exchange):

1923	1924	1925	1926	1927	1928	1929	1930
65·8	63·1	61·9	58·0	55·7	63·7	75·4	54·6
1931	1932	1933	1934	1935	1936	1937	
38·3	31·7	32·5	30·3	31·9	38·4	54·5	

National Reserves for Safety and Stabilization

Thus the maximum average annual price over these 15 years was £75·4 per ton in 1929; and the minimum average annual price over these same years was £30·3 per ton in 1934.

PRICE FLUCTUATIONS BY MONTHS 1937 AND 1938

During 1937 and for recorded months of 1938 the mean average monthly market prices have been as follows, quoted in £'s per ton at London (Metal Exchange):

	Jan.	Feb.	Mar.	April	May	June
1937	51·5	59·3	72·4	62·6	61·2	55·8
1938	41·4	39·6	39·8	39·4	36·7	35·3
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	56·5	57·4	53·0	45·4	39·2	40·0
1938	39·8	—	—	—	—	—

Thus the maximum average monthly price over these 19 months was £72·4 per ton in March 1937; while the minimum average monthly price over the same months was £35·3 per ton in June 1938.

APPARENT PER CAPITA REQUIREMENTS

The average annual per capita requirements in 1937 of the United Kingdom, on the basis of a population of 48,000,000, would appear to be 14 lb.

EXPLANATORY NOTES

Caution must be exercised in drawing conclusions from the statistics of the last five years in the copper industry owing to the many significant changes which have taken place during that period. Of these two stand out in importance. In the first place, since 1933 the Empire Mines in Rhodesia have been put into full working operation, which has increased the Empire percentage of world production to a marked extent; this has also had its effect upon the price of copper. In the second place the consumption of copper in this country prior to 1933 was in the neighbourhood of 150,000 tons a year, since then it has increased, as will be seen from the following figures of imports into the United Kingdom for the last ten years.

Appendices

IMPORTS OF COPPER (thousands of tons)

1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
153	156	147	132	149	144	255	306	292	409

Another important factor in the copper market was the imposition in 1932 by the United States of a prohibitive tariff on all imported copper.

During March 1937 copper reached its highest figure for eight years, which was due primarily to speculation in anticipation of the demand consequent upon the announcement of the re-armament programme. The rapid fall in price towards the end of the year was brought about by the very rapid adjustment of production to consumption by the removal of restriction on output.

In March 1935 an agreement was reached by the Rhodesian, Congo, and Chilean producers to curtail output as from May 1st to 70 per cent of a certain (undisclosed) standard tonnage which was based on the 1934 production. The total output curtailment was at the rate of 240,000 tons per annum. American producers, though prohibited by their laws from taking any part in this agreement, restricted their exports as a result of a "gentlemen's agreement." Production quotas were increased by 5 per cent in August 1936, by a further 5 per cent in September, and by a further 5 per cent in October. In November by a further 20 per cent (giving an actual production of 105 per cent of the standard); in January 1937 all restriction was lifted until quotas of 105 per cent were re-imposed on December 1st of that year.

In the beginning of 1937 the abnormal demand had caused apparent consumption to exceed production, though by June of that year production had again overtaken consumption.

Russia, Japan, and Central Europe took no part in the restriction scheme since, though producers of copper, their consumption is in excess of their production and therefore they are, on balance, importers.

BUTTER

HOME PRODUCTION (UNITED KINGDOM)

Creamery (or factory) production 1937: 379,600 cwt.; farm-made butter (1936 estimate), 436,800 cwt. The usually accepted production figure for factory and farm butter is 1,000,000 cwt.

National Reserves for Safety and Stabilization

AVERAGE ANNUAL IMPORTS

The United Kingdom's average annual imports of butter during the six years 1932 to 1937 amounted to 9,276,000 cwt., at an average annual cost of £39,957,000.

FROM EMPIRE SOURCES

During these six years imports from overseas British countries averaged 4,958,000 cwt. or 53·45 per cent, with a maximum of 5,435,000 cwt. in 1935 and a minimum of 4,337,000 in 1932.

The chief sources of overseas Empire supply (annual averages) were:

New Zealand	with 2,618,000 cwt.	or 28·22 per cent
Australia	with 1,815,000 cwt.	or 19·57 per cent
Eire	with 406,000 cwt.	or 4·38 per cent
		(of total imports)

FROM FOREIGN SOURCES

The chief sources of foreign supply (annual averages) were:

Denmark	with 2,367,000 cwt.	or 25·52 per cent
Soviet Union	with 428,000 cwt.	or 4·61 per cent
Netherlands	with 403,000 cwt.	or 4·34 per cent
Sweden	with 207,000 cwt.	or 2·23 per cent
		(of total imports)

The maximum importation from foreign sources in any of these years was 4,612,000 cwt. in 1936; the minimum was 4,028,000 cwt. in 1932.

RE-EXPORTS

The United Kingdom's annual average re-exports over the same six years amounted to 134,000 cwt., and the chief countries to which this butter was consigned were Belgium, Germany, and Channel Islands.

NORMAL IMPORTS AT STABILIZED PRICES

If the annual average total imports less re-exports over these six years be accepted as our normal imported requirements, these amount to about nine and a quarter million cwt., and if a reasonably stabilized price averaged 105s. per cwt. the cost (c.i.f.) would amount to £47,500,000 per annum.

Appendices

UNITED KINGDOM'S IMPORTS COMPARED WITH WORLD EXPORTS

The total annual average exports of butter from all countries during 1934, 1935, and 1936 (according to the International Institute of Agriculture) amounted to 12,105,000 cwt.; and the annual average imports into the United Kingdom in the same years amounted to 9,681,000 cwt., so that in those years the United Kingdom's imports were equivalent to 79·98 per cent of apparent available world supplies as expressed in average exportable surpluses.

PRICE FLUCTUATIONS BY YEARS 1922 TO 1937 NEW ZEALAND BUTTER

The average market prices paid for NEW ZEALAND butter of uniform quality during the years 1922 to 1937 were as follows, prices being quoted in shillings per cwt. at London:

1922	1923	1924	1925	1926	1927	1928	1929
191·0	193·0	200·1	191·8	172·5	173·0	180·2	178·4
1930	1931	1932	1933	1934	1935	1936	1937
137·8	120·1	109·8	89·1	79·71	97·22	106·2	117·5

Thus the maximum average annual price over these 16 years was 200·1s. per cwt. in 1924; and the minimum average annual price over these same years was 79·71s. per cwt. in 1934.

DANISH BUTTER

The average market prices paid for DANISH butter of uniform quality during the years 1922 to 1937 were as follows, prices being quoted in shillings per cwt. at London:

1922	1923	1924	1925	1926	1927	1928	1929
203·6	196·4	216·0	214·4	184·6	180·6	192·8	185·9
1930	1931	1932	1933	1934	1935	1936	1937
153·4	133·4	123·0	108·0	102·0	117·6	123·6	130·4

Thus the maximum average annual price over these 16 years was 216·0s. per cwt. in 1924, and the minimum average annual price over these same years was 102·0s. per cwt. in 1934.

National Reserves for Safety and Stabilization

PRICE FLUCTUATIONS BY MONTHS 1937 AND 1938

NEW ZEALAND BUTTER

During 1937 and 1938 the mean average monthly market prices for NEW ZEALAND have been as follows, quoted in shillings per cwt. at London:

	Jan.	Feb.	Mar.	April	May	June
1937	101·5	93·0	101·6	111·3	113·0	116·4
1938	117·8	117·3	122·4	127·5	136·0	127·0
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	119·3	123·3	124·8	141·0	144·0	120·2
1938	126·5	125·8	126·8	121·5	113·8	113·8

Thus the maximum average monthly price over these 24 months was 144·0s. per cwt. in November 1937, while the minimum average monthly price over the same months was 93·0s. per cwt. in February 1937.

DANISH BUTTER

During 1937 and 1938 the mean average monthly market prices for DANISH butter have been as follows, quoted in shillings per cwt. at London.

	Jan.	Feb.	Mar.	April	May	June
1937	111·3	120·0	127·6	122·5	116·3	120·4
1938	158·0	133·0	128·6	126·8	132·3	128·6
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	126·0	131·0	140·0	144·0	156·0	150·0
1938	130·8	131·6	138·5	136·8	140·8	149·0

Thus the maximum average monthly price over these 24 months was 158·0s. per cwt. in January 1938, while the minimum average monthly price over the same months was 111·3s. per cwt. in January 1937.

APPARENT PER CAPITA SUPPLY

The average annual per capita supply of butter in the United Kingdom on the basis of a population of 48,000,000, would appear to be 24·8 lb. —according to an estimate of the Imperial Economic Committee in 1937.

Appendices

BEEF

HOME PRODUCTION (ENGLAND AND WALES)

Season 1936-7: 8,719,000 cwt.

AVERAGE ANNUAL IMPORTS

The United Kingdom's average annual imports of beef (chilled and frozen), excluding offals, during the six years 1932 to 1937 amounted to 10,264,000 cwt. at an annual average cost of £17,700,000.

FROM EMPIRE SOURCES

During these six years imports from overseas British countries averaged 1,912,000 cwt. or 18·63 per cent with a maximum of 2,492,000 cwt. in 1937, and a minimum of 1,187,000 cwt. in 1932.

The chief sources of overseas Empire supply (annual averages) were:

Australia	with 1,269,000 cwt.	or 12·36 per cent
New Zealand	with 527,000 cwt.	or 5·13 per cent
		(of total imports)

FROM FOREIGN SOURCES

The chief sources of foreign supply (annual averages) were:

The Argentine	with 7,235,000 cwt.	or 70·49 per cent
Uruguay	with 603,000 cwt.	or 5·87 per cent
Brazil	with 513,000 cwt.	or 5·00 per cent
		(of total imports)

The maximum importation from foreign sources in any of these years was 9,064,000 cwt. in 1937; the minimum was 8,154,000 cwt. in 1935.

RE-EXPORTS

The United Kingdom's annual re-exports of chilled and frozen beef are negligible.

UNITED KINGDOM'S SHARE OF WORLD'S EXPORTS OF BEEF (AND MUTTON)

There does not appear to be any record of the total exports of beef from all countries, but the League of Nations has published a figure for world exports of "meat, frozen and chilled" which is taken to represent mutton and lamb as well as beef. This figure averaged 20,000,000 cwt. annually in 1934, 1935, and 1936. During the same years the United Kingdom's annual average imports (of beef, mutton, and lamb, frozen and chilled) at 17,000,000 cwt. appear to have

National Reserves for Safety and Stabilization

represented 85 per cent of apparent world supplies as expressed in average exportable surpluses.

PRICE FLUCTUATIONS BY YEARS 1922 TO 1937

ARGENTINE BEEF

The average market prices paid for Argentine chilled beef (hinds and fores) of uniform quality during the years 1922 to 1937 were as follows, prices being quoted (from 1930 for hinds and fores) in shillings per cwt. at London:

	1922	1923	1924	1925	1926	1927	1928	1929
	52·11	50·67	52·33	58·01	51·62	49·12	56·83	59·86
	1930	1931	1932	1933	1934	1935	1936	1937
H.	71·36	63·69	59·15	56·33	55·81	56·11	56·25	61·63
F.	44·03	33·44	33·84	33·59	32·88	31·46	32·53	39·15

Thus the maximum average annual price¹ over these 16 years was 59·86s. per cwt. in 1929, and the minimum average annual price over these same years was 43·79s. per cwt. in 1935.

PRICE FLUCTUATIONS BY MONTHS 1937 AND 1938

During 1937 and 1938 the mean average monthly market price have been as follows, quoted in shillings per cwt. at London:

		Jan.	Feb.	Mar.	April	May	June
1937	H.	57·46	59·50	55·30	55·71	63·00	64·17
	F.	33·54	35·00	37·10	39·38	44·33	42·70
1938	H.	63·00	65·33	62·30	60·67	61·54	63·70
	F.	40·83	43·46	42·93	40·54	38·79	38·27
		July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	H.	63·00	69·13	64·63	62·42	62·42	62·77
	F.	39·38	37·92	38·03	39·67	41·71	41·07
1938	H.	63·88	63·00	63·00	64·17	65·80	64·75
	F.	37·04	36·17	38·21	41·13	42·47	42·71

Thus the maximum average monthly price¹ over these 24 months was 54·40s. per cwt. in February 1938; while the minimum average monthly price over the same months was 46·20s. per cwt. in March 1937.

¹ These prices are based on an assumption that hind (quarters) and fore (quarters) are of equal weight and number. Actually there are weight variations and a preponderance of the Argentine's exports are of hindquarters. The resultant averages probably contain a narrow margin of error.

Appendices

APPARENT PER CAPITA SUPPLY

The average annual per capita supply of fresh, frozen, and chilled beef in the United Kingdom, on the basis of a population of 48,000,000, would appear to be about 46·4 lb.

AUSTRALIAN AND NEW ZEALAND BEEF

It has been only in very recent years that Australia and New Zealand have been able to compete with the South American republics in supplying chilled (as distinct from frozen) beef to the British market.

For many years after the system of chilling (instead of freezing) beef was discovered, the period during which the chilled beef would keep in good condition was limited to about 30 days, and this put Australia and New Zealand out of the then zone of possible supply to the United Kingdom—excepting of frozen beef (which does not find the same favour with consumers). With the progress of science, however, the period of effective chilling has been greatly increased and both Australia and New Zealand are now competing successfully, if as yet on a relatively small scale, with South America in supplying chilled beef to the British market.

During 1937 and 1938 imports of chilled beef from Australia amounted to 451,967 cwt. and 533,984 cwt. respectively; and from New Zealand 305,433 cwt. and 360,850 cwt.

The maximum monthly prices for chilled beef over these two years were 45/- per cwt. (Australian) in February 1938 and 45/6 per cwt. (New Zealand) in February 1938; and the minimum prices were 35/7 per cwt. (Australian) in March 1937; and 35/2 per cwt. (New Zealand) in March 1937.

SOUTH AFRICA

This Dominion has never been a serious competitor in the British market but there is no physical reason why considerable supplies should not be shipped from this Union.

STRATEGIC RESERVES

N.B.—Presumably any strategic reserves would have to be in the form of tinned and/or frozen beef.

The foregoing figures are taken from the *Annual Statement of the Trade of the United Kingdom with British Countries and Foreign Countries*, and from the *Board of Trade Journal*. Home production figures from *Ministry of Agriculture Statistics*.

National Reserves for Safety and Stabilization

MUTTON AND LAMB

HOME PRODUCTION (ENGLAND AND WALES)

Season 1936-7: 3,340,000 cwt.

AVERAGE ANNUAL IMPORTS

The United Kingdom's annual average imports of mutton and lamb, chilled or frozen during the six years 1932 to 1937 amounted to 6,643,000 cwt. at an annual average cost of £17,023,000.

FROM EMPIRE SOURCES

During these six years imports from overseas British countries averaged 5,204,000 cwt. or 78·34 per cent with a maximum of 5,495,000 cwt. in 1937, and a minimum of 5,027,000 cwt. in 1936.

The chief sources of overseas Empire supply (annual averages) were:

New Zealand	with	3,660,000 cwt.	or	55·10 per cent
Australia	with	1,541,000 cwt.	or	23·20 per cent
(of total imports)				

FROM FOREIGN SOURCES

The chief sources of foreign supply (annual averages) were:

The Argentine	with	1,022,000 cwt.	or	15·38 per cent
Chile	with	232,000 cwt.	or	3·49 per cent
Uruguay	with	150,000 cwt.	or	2·26 per cent
(of total imports)				

The maximum importation from foreign sources in any of these years was 1,867,000 cwt. in 1932; the minimum was 1,272,000 cwt. in 1936.

RE-EXPORTS

The United Kingdom's re-exports of mutton and lamb are negligible.

UNITED KINGDOM'S SHARE OF WORLD'S EXPORTS OF MUTTON AND LAMB (AND BEEF)

There does not appear to be any record of the total exports of mutton and lamb from all countries, but the League of Nations publishes

Appendices

a figure for world exports of "meat, frozen and chilled," which is taken to represent beef as well as mutton and lamb. This figure averaged 20,000,000 cwt. in 1934, 1935, and 1936. During the same years the United Kingdom's annual average imports (of mutton and lamb, and beef) at 17,000,000 cwt. appear to have represented 85 per cent of apparent world supplies as expressed in average exportable surpluses.

PRICE FLUCTUATIONS BY YEARS 1922 TO 1937

The average market prices paid for New Zealand lamb of uniform quality during the years 1922 to 1937 were as follows, prices being quoted in shillings per cwt. at London:

1922	1923	1924	1925	1926	1927	1928	1929
109·1	111·8	113·0	117·2	98·46	94·62	98·47	90·93
1930	1931	1932	1933	1934	1935	1936	1937
89·60	75·35	64·11	68·38	72·44	71·76	75·21	75·57

Thus the maximum average annual price over these 16 years was 117·2s. per cwt. in 1925; and the minimum average annual price over these same years was 64·11s. per cwt. in 1932.

PRICE FLUCTUATIONS BY MONTHS 1937 AND 1938

During 1937 and 1938 the mean average monthly market prices have been as follows, quoted in shillings per cwt. at London:

	Jan.	Feb.	Mar.	April	May	June
1937	74·67	76·71	72·10	72·33	75·25	77·00
1938	73·70	76·13	72·57	73·50	79·33	79·33
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	74·67	76·71	78·17	75·83	76·42	77·00
1938	75·25	75·13	78·17	79·33	77·00	77·00

Thus the maximum average monthly price over these 24 months was 79·33s. per cwt. in May, June, and October 1938; while the minimum average monthly price over the same months was 72·10s. per cwt. in March 1937.

National Reserves for Safety and Stabilization

APPARENT PER CAPITA SUPPLY

The average annual per capita supply of mutton and lamb in the United Kingdom, on the basis of a population of 48,000,000, would appear to be about 28 lb.

N.B.—The freezing of mutton and lamb has no apparent deleterious effects, and these products are not usually shipped “chilled” as is beef.

Sources of figures; Same as for beef.

BACON AND HAMS

HOME PRODUCTION (UNITED KINGDOM)

1938: 3,509,000 cwt.

AVERAGE ANNUAL IMPORTS

The United Kingdom's average annual imports of bacon and hams during the six years 1932 to 1937 amounted to 8,820,000 cwt. at an average annual cost of £32,039,000.

FROM EMPIRE SOURCES

During these six years imports from overseas British countries averaged 1,437,000 cwt. or 16·29 per cent with a maximum of 2,227,000 cwt. in 1937; and a minimum of 541,000 cwt. in 1932.

The chief sources of overseas Empire supply (annual averages) were:

Canada	with	1,045,000 cwt.	or	11·85 per cent
Eire	with	392,000 cwt.	or	4·44 per cent
				(of total imports)

FROM FOREIGN SOURCES

The chief sources of foreign supply (annual averages) were:

Denmark	with	4,686,000 cwt.	or	53·13 per cent
Netherlands	with	655,000 cwt.	or	7·43 per cent
Poland	with	654,000 cwt.	or	7·41 per cent
The U.S.A.	with	463,000 cwt.	or	5·25 per cent
				(of total imports)

The maximum importation from foreign sources in any of these years was 11,651,000 cwt. in 1932; the minimum was 5,343,000 cwt. in 1936.

Appendices

The United Kingdom's average annual re-exports over the same six years amounted to 93,000 cwt.

UNITED KINGDOM'S IMPORTS COMPARED WITH WORLD EXPORTS

The total exports of bacon and hams (as such) from all countries does not appear in the Year book of the International Institute of Agriculture where these foodstuffs are included with pig meats in all forms. But the United Kingdom probably imports upwards of 90 per cent of the world exports (at least from the Northern Hemisphere).

PRICE FLUCTUATIONS BY YEARS 1922 TO 1937

The average market prices paid for Danish bacon of uniform quality during the years 1922 to 1937 were as follows, prices being quoted in shillings per cwt. at London:

1922	1923	1924	1925	1926	1927	1928	1929
143·9	114·9	108·2	128·4	129·2	99·27	103·1	119·9
1930	1931	1932	1933	1934	1935	1936	1937
100·6	68·05	64·53	80·72	96·27	95·17	101·8	102·8

Thus the maximum average annual price over these 16 years was 143·9s. per cwt. in 1922; and the minimum average annual price over these same years was 64·53s. per cwt. in 1932.

PRICE FLUCTUATIONS BY MONTHS 1937 AND 1938

During 1937 and 1938 the mean average monthly market prices have been as follows, quoted in shillings per cwt. at London:

	Jan.	Feb.	Mar.	April	May	June
1937	100·5	94·0	98·2	103·8	103·8	96·8
1938	104·3	105·0	109·8	113·5	110·5	106·4
	July	Aug.	Sept.	Oct.	Nov.	Dec.
1937	103·8	112·0	111·8	105·0	99·5	104·6
1938	112·8	109·6	108·0	106·5	98·6	105·5

Thus the maximum average monthly price over these 24 months was 113·5s. per cwt. in April 1938; while the minimum average monthly price over the same months was 94·0s. per cwt. in February 1937.

National Reserves for Safety and Stabilization

APPARENT PER CAPITA SUPPLY

The average annual per capita supply of bacon and hams in the United Kingdom, on the basis of a population of 48,000,000, would appear to be about 28 lb.

N.B.—There are physical difficulties about shipping bacon and hams from the Southern Hemisphere, but pork can be shipped frozen and much of it is “defrosted” on arrival and turned into bacon and hams.

Sources of figures: “Annual Statement of the Trade of the United Kingdom,” Vol. II; “Board of Trade Journal”; “Ministry of Agriculture Statistics.”

APPENDIX II

PAPER READ BEFORE SECTION F OF THE BRITISH ASSOCIATION

BY PROFESSOR J. M. KEYNES, C.B., M.A.

THE early sections of Professor Keynes' paper were introductory to the suggestions which he then put forward in the following terms:

'My proposal is, therefore, that the Government should offer storage to all Empire producers of specified raw materials, either free of warehouse charges and interest or for a nominal charge, provided they ship their surplus produce to approved warehouses in this country. The Government would not become the outright owners of the stocks in question, which would remain in the ownership of the depositors, who would run the risk of price changes and would be free to remove and dispose of the stocks at any time or to deal in them against warehouse warrants. So far as finance is concerned, the Government might offer to advance either free of interest or at a rate equal to the rate on Treasury Bills up to 90 per cent of the market price at the date of delivery into storage, the margin of 10 per cent of the current market price being subsequently maintained by the owners. It might prove advisable to require a certain notice—say, a month—of delivery and withdrawal and a minimum period of deposit—say, three months—so as not to attract normal trading stocks which would be held here in any case.

'Under such an arrangement the volume and character of the goods in store would vary from time to time. But one could feel considerable assurance that at most times the aggregate would materially exceed the stocks which would be held without such an arrangement. Moreover, if at any time the aggregate amount appeared to be falling too low, or if

National Reserves for Safety and Stabilization

the international prospect appeared to be particularly threatening, the Government could secure the position by purchase and the substitution of outright ownership.

I submit that such a plan would have several advantages, of which the following may be emphasized:

‘(1) The cost to the Treasury would be very small in relation to the volume of resources involved. For warehouse costs and interest, provided on the lines suggested above, would cost a great deal less than the 10 per cent per annum which I have estimated above as a normal expense to the outside holder who has no special facilities. The total cost would vary with the commodity, and I am not in a position to estimate it closely; but it might average, perhaps, at 4 per cent.¹ If we take this as sufficiently indicative of the order of magnitude of the figures, we could store £500,000,000 of stuff at an annual cost of £20,000,000. It is evident that the provision of stocks on that scale would give us much more security than we have at present, whilst the cost would be easily supportable.

‘(2) The technique adopted, so far from interfering with the ordinary course of trade, would facilitate it. The provision of additional stocks on the spot would avoid time-lags in the response of supply to an improved demand, whether in the home or in the re-export trades. The position of this country for entrepôt business would be ensured. An important cost, which is a potent

¹ Mr. Benjamin Graham in his recent book on *Storage and Stability* (p. 108) estimates the average commercial cost to dealers in the commodity exchanges of storing 23 standard raw materials at 13½ per cent of their value per annum, exclusive of interest, whilst he considers that organized Government storage could be provided at a quarter of this cost. His estimate of the commercial cost is considerably higher than mine, which is intended to include interest, but his average is somewhat inflated by the exceptionally high cost of storing maize, oats, and petroleum.

Appendices

generator of price fluctuations, would be eliminated, with the result of moderating price fluctuations and allowing at the same time a more continuous scale of output in the producing countries. Knowledge and experience would be gained which would be valuable in the future control of the trade cycle.

- (3) Far-reaching arrangements would become possible with producers of raw materials within the Empire and with their Governments. If, for example, as seems likely, the Canadian Government finds itself faced this year with the necessity of acquiring wheat beyond what the market can currently absorb, an agreement would be made for the physical storage of the wheat in this country, whilst it would remain the property of the Canadian Government. The possible field for the application of this principle is wide—sugar from the West Indies, jute from India, wool from Australia, vegetable oil products from West Africa, non-ferrous metals, and all the endless variety of Empire products which must be stored somewhere. There is, moreover, an outstanding case of a home product which should not be overlooked, namely pig-iron. We have recently had experience of the disturbance caused by a temporary shortage of pig-iron. The advantage of substantial stocks of pig-iron for munitions does not need emphasizing; and the advantage in smoothing the trade cycle is hardly less obvious. In war such reserves held in this country would be better than a gold mine; in peace we might find that we had taken the first step towards making possible a steadier scale of output of the principal raw materials, and thus avoiding extreme fluctuations of demand for our own exports from the raw material countries.

- (4) The possible strain on the exchanges needs, however, a careful handling. It is for that reason that I have laid

National Reserves for Safety and Stabilization

special stress on supplies from the Empire. For an important proportion of these may be financed in London, wherever they are situated, whilst in their case the proceeds of additional financing are more likely to remain here as an accretion to the banking reserves of the sterling area. Nevertheless it is certain that a substantial additional burden would fall on the exchanges during the initial period. In the case of Canadian wheat, for example, the major part of the finance would not normally fall on London, and it might be necessary here to make special arrangements with the Canadian Government. Moreover, there are certain products where it would be particularly useful to accumulate stocks—for example, timber and oil—which might not conveniently come, mainly or exclusively, from the Empire sources.

Yet, even in this respect, we might contrive to draw advantage out of the difficulty itself. In so far as we were financing or paying for imports in excess of what we should do otherwise, the effect on our own export trade would be exactly the same as an increase in the scale of our current foreign lending. We might reasonably expect some stimulation to our own exports; and sometimes we might be able to link the agreement to import with express arrangements to aid corresponding exports. It would be a form of foreign investment, the security for which would offer the great advantage of being situated at home! It would, of course, be a once-for-all transaction. That is to say, we should be accumulating stocks up to a value of (say) £500,000,000, within the next two or three years; and thereafter we should have no occasion to increase, on balance, the amount of this particular form of investment. But at this juncture of affairs I can see no form of foreign investment which it would be safer or more advantageous for

Appendices

us to accumulate. It is true, of course, that the income we should derive from it would not be in the shape of money interest or dividends, but in the shape of security and in the facility to avoid paying excessive prices for purchases made subsequently in circumstances of unusual need. But, on the other hand, here is an opportunity for a substantial volume of foreign investment, where the capital involved is absolutely safe. And in these days that is a primary consideration. We should be enabled by this technique to make loans, where for other reasons we might desire to make them—in South-Eastern Europe, for example—on the absolute security of commodities physically situated within this country. It would be overwhelmingly worth our while to forego the cash income of £20,000,000 a year in return for the compensating advantages in the shape of security, a stimulus to our export industries, an increased control over the trade cycle, and an insurance against having to pay excessive prices at a subsequent date. The gain to our prestige and to our apparent security of so vast an accumulation of these liquid forms of wealth situated at home, an accumulation which others could not afford to imitate, would be worth in itself the really trifling expense. It would be a demonstration of reserve resources which would catch the imagination of the world. And if it should also serve the causes of peace and prove to be a new and useful instrument in our armoury for the control (which will need more instruments than one) of the trade cycle, let no one complain.

- (5) Even if foreign investment of this type is advantageous, it does not follow that it will not throw a burden on the exchanges which will lead to a loss of gold by the Exchange Equalization Fund. We must expect that the accumulation, on such a scale as is suggested of liquid resources in the shape of a mixed bag of commodities

National Reserves for Safety and Stabilization

will be partly in substitution for our existing liquid resources in the shape of gold. But will there be a disadvantage in this? In time of war goods on the spot will be better worth having than the gold. In time of peace to substitute goods for gold when goods are cheap in terms of gold, and gold for goods when goods are dear in terms of gold, will be both socially and financially profitable.

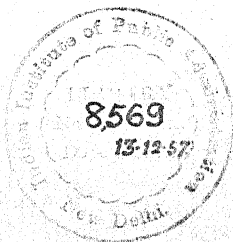
‘I should be much inclined, therefore, though this is not essential to the scheme, to link up the finance of commodity storage with the finance of Exchange Equalization Fund, and to regard the policy of holding liquid stocks of raw materials as a natural evolution of the policy of holding liquid stocks of gold outside the banking system. The finance required by the new policy is of the same character as the finance required by the Exchange Fund, and should be segregated from the normal budget in the same way and for the same reasons. It also happens that the amounts required will tend to be complementary—the greater the finance required to hold stocks, the smaller is the finance required to hold gold likely to be. Moreover, the object of narrowing the range of movement of international commodity prices is a natural development of the policy of narrowing the range of the foreign exchanges. Investment in stocks will be of the same advantage to our trade as foreign investment would be without, however, diminishing the strength of our liquid position, a consideration which, obviously, is of great importance in present conditions. Our liquid position, internationally, will be properly measured by adding the value of our liquid stocks of commodities to our stock of gold, which is a further reason for treating the finance of the two as a single problem.

‘The objects of carrying a steady volume of stocks as a war-insurance and of carrying a fluctuating volume so as to damp down the trade cycle are, it is evident, objects which

Appendices

partly conflict. At the present time the former must presumably prevail, and the latter must await the arrival of happier days. I must not be supposed to overlook this conflict. But I seek to reinforce the former purpose by pointing out that measures useful for defence may eventually evolve into measures of permanent usefulness in peace. Even in the first instance they do not wholly conflict. As a war-insurance it does not greatly matter which particular commodities are stored so that seasonal, as distinct from cyclical, fluctuations can be averaged out. Moreover, it is of substantial advantage as a war-insurance if the average volume of international stocks physically located in this country is largely increased, even though this volume fluctuates somewhat widely between a higher and a lower limit; and if the stocks held here are normally larger than they would have been otherwise, our authorities will be able to act with greater rapidity if circumstances make it advisable to convert privately-owned deposit into outright Government ownership.'

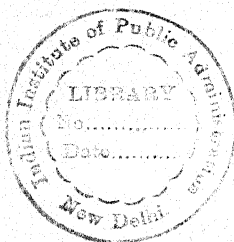
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AUTHOR'S POSTSCRIPT

I should be very glad if any readers, who believe (with Mr. R. F. Harrod) that—in the best interests of the Nation—prompt action is required along the lines I have suggested, would write to me c/o Messrs. George Allen and Unwin, Ltd., 40 Museum Street, London, W.C.1.

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